

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE



March 18, 2021

Advice Letter 6089-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: Expedited Procurement Import Energy Contracts Under D.21-02-028

Dear Mr. Jacobson,

Advice Letter (AL) 6089-E (Expedited Procurement Import Energy Contracts Under D.21-02-028) is approved, effective today, for the reasons described below.

Background:

Decision (D.) 21-02-028 requires the investor-owned utilities (IOUs) to procure capacity that will be available during peak and net peak periods over the summer of 2021. The IOUs may consider incremental capacity from existing generators (such as through efficiency upgrades or revised power purchase agreements [PPAs]), generation that is at risk of retirement, incremental storage capacity, and firm forward imported energy. They may pursue resource adequacy (RA) only contracts or contracts with tolling agreements, and they may initiate new bilateral agreements or revisit proposals from recent requests for offers (RFO). All procurement must undergo review by the independent evaluator (IE) and the Cost Allocation Mechanism Procurement Review Group (CAM PRG).¹ Selected contracts must be competitive with recent procurement, and costs and benefits of the procurement will be allocated to all benefitting customers through the CAM.²

The IOUs may submit agreements for resources that will be available before September 1, 2021 (but preferably before June 1, 2021) via Tier 1 advice letters, except in the case of utility owned generation, which the IOUs must submit for approval via Tier 2 advice letters.³ Advice letters

¹ D.21-02-028 at p. 11.

² *Ibid.* at p. 12.

³ *Ibid.* at p. 11.

were due by February 15, 2021 and must contain a summary of the procurement process and resources selected, operational information and a demonstration of availability during peak and net peak periods, pricing and net market value analysis, an analysis by the IE, a summary of key contract terms, a demonstration of incrementality and cost competitiveness, and a demonstration that the resource is on track for deliverability by the summer of 2021.⁴

Pacific Gas and Electric Company (PG&E) filed AL 6089-E on February 16, 2021, requesting approval of two agreements for firm forward energy imports. The imports are 6 x16 products covering 7:00 a.m. through 11:00 p.m. on Monday through Saturday, from July through September of 2021. The agreements represent a combined capacity of 250 MW.⁵

Protests, Responses, and Replies:

Californians for Renewable Energy (CARE) timely protested AL 6089-E on February 21, 2021. The Alliance for Retail Energy Markets and Direct Access Customer Coalition (jointly, “AReM-DACC”) and the Public Advocates Office (“Cal Advocates”) timely protested AL 6089-E on February 26, 2021.

AReM-DACC asserts that PG&E does not address whether its agreements also have RA benefits and argues that “procurement of energy-only import contracts with no associated RA value to allocate does not qualify for CAM treatment pursuant to the statute.”⁶ AReM-DACC also argues that the 6 x 16 delivery profile “is excessive in light of the fact that the Commission only required the resources procured to be ‘deliverable during both the peak and net peak demand periods.’”⁷ They conclude that “the Commission should direct PG&E to revise the contracts so that energy delivery associated with the two firm energy import contracts to be deliverable during the [hours] of 4 to 9 pm, unless PG&E can demonstrate with data that the total costs of the 6 x 16 contracts will be lower.”⁸

Cal Advocates asserts that PG&E does not show that the import energy is incremental and that “PG&E appears to interpret D.21-02-028 as not requiring incrementality for firm forward imported energy.”⁹ They argue, however, that “the Decision frequently and expressly states procurement authorized by this Decision and even this rulemaking proceeding must be incremental.”¹⁰ Cal Advocates also asserts that PG&E did not show that the imports are cost competitive and suggests they are not cost competitive with resources that the IOUs recently reported in their Assembly Bill (AB) 57 quarterly compliance reports (QCR).¹¹ Finally, Cal Advocates argues that the IOUs should wait until after RA procurement for summer 2021 is

⁴ *Ibid.* at p. 12.

⁵ AL 6089-E at p. 3.

⁶ AReM-DACC Protest at pp. 4-5.

⁷ *Ibid.* at p. 5.

⁸ *Ibid.* at p. 5.

⁹ Cal Advocates Protest at p. 2.

¹⁰ *Ibid.* at p. 3.

¹¹ *Ibid.* at p. 3.

complete before submitting import agreements pursuant to D.21-02-028, which would ensure that the imports are incremental and are a cost-effective use of Maximum Import Capability.¹²

CARE notes that they have a pending complaint at FERC against the IOUs, CAISO, and the CPUC and protests AL 6089-E “on the basis that FERC and CPUC do not share concurrent jurisdiction over any wholesale ‘contract affecting such rate’ during the pendency of our complaint at FERC.”¹³ CARE also asserts that the Commission violated the Bagley-Keene Open Meeting Act “because on February 9, 2021 the [proposed decision] was revised to include the addition of firm forward imported energy as a resource type that may be considered for procurement and the proposed Commission action was not given 10-day notice to the public and Parties in advance of the February 11, 2021 Commission meeting.”¹⁴ Finally, CARE protests AL 6089-E on the grounds that PG&E filed the advice letter “on February 16, 2021, the day before Decision 21-02-028 was issued.”¹⁵

Center for Energy Efficiency and Renewable Technologies (CEERT) timely filed a response to all three IOUs’ filings on February 26, 2021. CEERT states that the IOUs must “submit more public information about the individual contracts described in the ALs in order to assess the costs and benefits of these contracts.”¹⁶ CEERT details four categories of information missing, including quantity of truly incremental capacity that is being proposed in the ALs, the aggregate unit cost of procurement in \$/kW-month and estimated default energy bid in \$/MWh, whether ratepayers are paying for the same capacity twice, and environmental consequences of the proposed procurement in terms of GHG emissions.¹⁷

Small Business Utility Advocates (SBUA) filed a late response on March 3, 2021. In addition to being late, SBUA’s response was duplicative of arguments made in the timely protests and responses, and Energy Division does not address SBUA’s response in this disposition letter.

PG&E timely replied to the protests of AReM-DACC, Cal Advocates, and CARE on March 5, 2021. PG&E asserts that cost recovery via CAM “was expressly authorized by the Commission in D.21-02-028.”¹⁸ PG&E also notes that as a result of the accelerated procurement timeline, bidders only offered import energy in 6 x 16 and 7 x 24 blocks, and PG&E “pursued the agreements that were the most competitive” out of those offers.¹⁹ With regard to Cal Advocates’ assertion that the imports are not cost-competitive with other recent transactions, PG&E similarly argues that “these agreements were the most cost competitive of all of the firm energy import offers PG&E received for this expedited procurement” and that “[g]iven the expedited nature of this procurement initiative...it is not appropriate to compare transactions from PG&E’s Fourth Quarter 2020 QCR to these two agreements.”²⁰ PG&E asserts that it did not file AL 6089-E too early, because “the decision itself was voted on by the Commission on February 11, 2021,

¹² *Ibid.* at p. 4.

¹³ CARE Protest at pp. 2-3.

¹⁴ *Ibid.* at p. 4.

¹⁵ *Ibid.* at p. 4.

¹⁶ CEERT Response at p. 2

¹⁷ *Ibid.* at pp. 2-4

¹⁸ PG&E Reply at p. 2.

¹⁹ *Ibid.* at p. 3.

²⁰ *Ibid.* at p. 3.

and the decision is dated February 11, 2021.”²¹ PG&E also states that it “filed AL 6089-E to comply with D.21-02-028, which required the IOUs to submit the contracts that conform with the decision no later than February 15, 2021. PG&E filed AL 6089-E a day later, because February 15, 2021 was Presidents’ Day, a state holiday.”²² Finally, PG&E rejects Cal Advocates’ assertion that it should wait to procure imports until later, noting that “D.21-02-028 explicitly listed firm forward imported energy as a resource type to be considered for procurement” and that it followed the Commission’s direction with regard to the timing of its filing.²³

PG&E did not reply to the responses of CEERT and SBUA.

Discussion:

AReM-DACC's protest of CAM cost recovery attempts to relitigate D.21-02-028. The Commission included revised power purchase agreements among the resource types that the IOUs could procure pursuant to the Decision, and the Commission also expressly indicated that procurement would be eligible for CAM treatment. More generally, the CPUC has broad authority to assure reliable energy at just and reasonable rates via the mechanisms it develops and orders the use of through its decisions. As a result, AReM-DACC's protest is not made on proper grounds, and Energy Division rejects the protest under General Rule 7.6.1 of General Order 96-B.

Energy Division rejects AReM-DACC's protest of energy delivery terms in the import agreements as erroneous under General Rule 7.6.1 of General Order 96-B. D.21-02-028 requires incremental procurement to cover the gross load peak and net load peak but does not delineate acceptable or unacceptable delivery terms.

Cal Advocates argued that PG&E failed to demonstrate that the import contracts were incremental. Energy Division rejects this basis for protest, as D.21-02-028 specified that firm forward imported energy is a resource type that can be considered for procurement.

Cal Advocates' suggestion that PG&E should wait to file import agreements until after summer RA contracting is complete relitigates the requirements in D.21-02-028. Energy Division rejects the protest as having not been made on proper grounds under General Rule 7.6.1 of General Order 96-B.

With regard to cost effectiveness, D.21-02-028 requires that “[t]o the extent that comparable data exist, the procurement should be cost competitive with recently procured resources.”²⁴ It is not clear that comparable data against which to compare PG&E’s import contracts exist at this time. It is also true that the independent evaluator recommends approval of all agreements that PG&E executed as a result of this procurement effort, including the two import agreements in AL 6089-

²¹ *Ibid.* at p. 2.

²² *Ibid.* at p. 2.

²³ *Ibid.* at p. 2.

²⁴ D.21-02-028 at p. 12.

E.²⁵ Energy Division therefore rejects Cal Advocates' cost effectiveness protest as erroneous under General Rule 7.6.1 of General Order 96-B.

Although the Commission issued D.21-02-028 on February 17, 2021, the Commission approved the Decision on February 11, 2021. As a result, CARE's protest with regard to the timing of PG&E's filing is erroneous under General Rule 7.6.1 of General Order 96-B.

CARE's assertion that the Commission violated the Bagley-Keene Open Meeting Act in adopting D.21-02-028 on February 11, 2021 is unrelated to the content of AL 6089-E, and Energy Division similarly rejects this protest as erroneous under General Rule 7.6.1 of General Order 96-B.

CARE's assertion that the Commission does not have jurisdiction over wholesale rates during the pendency of a complaint at FERC relitigates D.21-02-028 and is not made on any of the grounds for protest described in General Rule 7.4.2 of General Order 96-B. Energy Division therefore rejects the protest under General Rule 7.6.1 of General Order 96-B as one not made on proper grounds.

Energy Division recognizes that CEERT "does not seek to prevent"²⁶ the procurement in AL 6089-E. Nevertheless, Energy Division finds that the Commission did not require the additional data that CEERT requests as a prerequisite for approval of procurement. CEERT's response attempts to relitigate D.21-02-028, and Energy Division therefore rejects the response as not having been made on proper grounds under General Rule 7.6.1 of General Order 96-B.

Energy Division has reviewed AL 6089-E and its confidential appendices. The Energy Division finds that AL 6089-E meets the requirements of D.21-02-028.

Disposition:

Energy Division hereby approves Pacific Gas and Electric Company's AL 6089-E.

Sincerely,

Handwritten signature of Edward Randolph, with the initials "(for)" written below it.

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

²⁵ *Ibid.*, Appendix E1 and Appendix E2 at p. 39.

²⁶ CEERT Response at p. 2.

Erik Jacobson
March 18, 2021
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cc: R.20-11-003, R.19-11-009, R.20-05-003, Julie.Halligan@cpuc.ca.gov, Elizabeth.Fox@cpuc.ca.gov, sue.mara@rtoadvisors.com, boyd.michaele@gmail.com, meganmyers@yahoo.com, jhcaldwelljr@gmail.com, pchernick@resourceinsight.com, itzel@utilityadvocates.org

February 16, 2021

Advice 6089-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Expedited Procurement Import Energy Contracts Under D.21-02-028

I. Purpose

Pursuant to Decision (D.) 21-02-028 (Decision), dated February 11, 2021, Pacific Gas and Electric Company (PG&E) respectfully submits this Tier 1 Advice Letter seeking California Public Utilities Commission (Commission or CPUC) approval of two (2) agreements resulting from PG&E's Expedited Procurement for Firm Forward Imported Energy for summer 2021 reliability. These transactions are summarized in detail in Section IV of this Advice Letter.

II. Background

On December 28, 2020, an Assigned Commissioner's Ruling (ACR) was issued that directed the large investor-owned utilities (IOUs) to urgently seek contracts for capacity, available for peak and net peak demand in summer 2021 and summer 2022. On January 8, 2021, the Assigned Commissioner issued a Proposed Decision (PD) directing the IOUs to urgently seek contracts for capacity of prescribed types, available for peak and net peak demand periods, and limited the scope to the summer of 2021. IOUs are to submit contracts for consideration via advice letters, of various tiers, to the Commission, within five weeks of the date the PD was issued. On February 9, the CPUC issued Revision 1 to the PD. Most notably, Firm Forward Imported Energy transactions were re-introduced into the scope of the directive. This Advice Letter submits the Firm Forward Import Energy transactions to the Commission for consideration. A separate Tier 1 Advice Letter will be filed for other transactions.

III. Overview of Expedited Procurement**A. Expedited Procurement Structure and Process**

PG&E issued a market notice on December 29, 2020, providing market participants with information from the December 28, 2020 ACR. PG&E's mailing list includes approximately 2,700 recipients. PG&E asked market participants to provide an indication

of interest to PG&E via email by Friday January 8, 2021, if the participant believed they would be able to provide additional power capacity by the summer of 2021 or 2022 from one of several resource types identified in the ACR.

On January 5, 2021, PG&E sent a second market notice informing market participants that it had uploaded an Offer Form and applicable agreements to the Power Advocate online platform. Given the expedited timeline, participants were now required to register for Power Advocate, download the Offer Form, and submit an offer. Participants were asked to submit the offer form and any supporting documents by Friday January 8, 2021, at 5:00 PM (PPT). In addition to Offers that were submitted into Power Advocate, PG&E engaged with counterparties bilaterally who indicated that they may be able to provide additional power capacity for the summer of 2021.

On January 8, 2021, the Assigned Commissioner issued a PD directing the IOUs to urgently seek contracts for capacity of prescribed types, available of peak and net peak demand periods (excluding imports), and limited the scope to the summer of 2021.

B. Offers Received

In response to the Expedited Procurement, on January 8, 2021, PG&E received 52 offers from 33 counterparties, including 6 offers from 6 counterparties for firm import energy. Per the January 8 PD's exclusion of import energy, PG&E did not evaluate these offers for import energy at that time.

C. Proposed Decision Revision 1

On February 9, 2021, the CPUC issued a revised PD with several key changes, including the addition of firm forward imported energy as a resource type that may be considered for procurement. Under this updated direction, PG&E completed due diligence on the six offers for import energy originally received to ensure they met the stated need and were able to execute an agreement by the Commission's filing deadline of February 16, 2021.

D. Negotiations

PG&E initiated negotiations with each participant that indicated they could deliver Firm Forward Imported Energy for summer 2021. The negotiations began with a review of the counterparties' offers. All participants were told that discussions would not necessarily result in an executed agreement.

E. Cost Allocation Mechanism Group and Procurement Review Group Outreach

On February 11, 2021, PG&E sent PG&E's Cost Allocation Mechanism (CAM) Group and the Procurement Review Group (PRG) an email notification with the proposed execution

list. Given the short timeframe, PG&E did not provide any additional details in the email notification.

F. Independent Evaluator

PG&E engaged an independent Evaluator (IE) from the Commission's approved list of IEs for the Expedited Procurement. The IE for this solicitation was Merrimack Energy, represented by Wayne Oliver and Keith Oliver.

The IE's involvement is outlined below:

- Reviewed and evaluated offers received.
- Discussed with PG&E the reasons the offers were considered non-conforming.
- Participated in contract negotiations that were held for each participant.

The confidential version of the IE Report is provided in Appendix E1, and the public version of the IE Report is provided in Appendix E2.

IV. Selected Projects

The results of PG&E's procurement, as submitted through this advice letter, consist of two (2) agreements resulting from PG&E's Expedited Procurement for Firm Forward Imported Energy for summer 2021. The final executed agreements can be found in Confidential Appendices A - B, and an additional description of agreement terms can be found in Confidential Appendix C.

Table 2: Executed Agreements

Contract #	Contract Name	Delivery Term	Delivery Location	Delivery Hours	MW
1	Calpine	Jul-Sep 2021	California-Oregon Border (COB)	Mon-Sat (HE 0700-2200) PPT, excluding NERC Holidays (6x16)	175
2	TransAlta	Jul-Sep 2021	California-Oregon Border (COB)	Mon-Sat (HE 0700-2200) PPT, excluding NERC Holidays (6x16)	75

V. Cost Recovery

D.21-02-028 affirmed that the large electric utilities can request, and PG&E hereby requests, Cost Allocation Mechanism (CAM) treatment for procurement that conforms to the parameters outlined in the decision.¹ The contracts and associated costs for import energy contracts presented in this advice letter are eligible for CAM and will be recovered through PG&E's New System Generation Charge (NSGC) and recorded to PG&E's New System Generation Balancing Account (NSGBA).

¹ D.21-02-028, pp. 11-12.

Pursuant to the December 28, 2020 Assigned Commissioner's Ruling (ACR) and the recently issued D.21-02-028 addressing the supply side resources, the Commission has authorized the large electric utilities to seek CAM cost recovery. Designating the resources as CAM-eligible is appropriate as the Commission has determined that there is a need for additional capacity (or energy) to meet system reliability, which benefits all customers.

The Resources in this advice letter will allow PG&E to meet the Commission's procurement order and support system reliability at reasonable cost. The resources are being procured on behalf of all customers in PG&E's service territory and the costs and benefits will be allocated to all benefiting customers through PG&E's CAM. CAM resources are recovered through the PG&E's NSGC and import energy contracts will be recorded to new subaccount in the NSGBA.

Pursuant to OP 5 of D.21-02-028, the utilities are authorized to file a Tier 2 advice letter to make the tariff changes needed to adjust balancing account to implement that decision, with the effective date of the tariff modifications being December 28, 2020. PG&E's advice letter will propose that a new subaccount be added to the NSGBA for the import energy contracts, that will recover the net costs and benefits associated with these contracts through the NSGC.

VI. Confidentiality Treatment

In support of this Advice Letter, PG&E has provided the confidential information listed below. This information is being submitted in the manner directed by Commission D.08-04-023 and the August 22, 2006, Administrative Law Judge's Ruling Clarifying Interim Procedures for Complying with D.06-06-066 to demonstrate the confidentiality of the material and to invoke the protection of confidential utility information provided under Public Utilities Code section 454.5(g) or the Investor Owned Utility Matrix, Appendix 1 of D.06-06-066 and Appendix C of D.08-04-023. A separate Declaration Seeking Confidential Treatment is being submitted concurrently with this Advice Letter.

Confidential Appendices

Appendix A: Calpine – Firm Import Energy Confirm
Appendix B: TransAlta – Firm Import Energy Confirm
Appendix D: Summary of Executed Agreements
Appendix E1: Independent Evaluator (IE) Report

Public Appendices

Appendix C: Description of Agreement
Appendix E2: Independent Evaluator Report (Public)

VII. 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 andPGETariffs@pge.com*****

Per D. 21-02-028, the protest period for Tier 1 advice letters is shortened to 10 days after submission. Anyone wishing to protest this submittal may do so by letter sent via U.S. mail, facsimile, or E-mail, no later than **February 26, 2021**. 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
c/o Megan Lawson
Pacific Gas and Electric Company
77 Beale Street, Mail Code B13U
P.O. Box 770000
San Francisco, California 94177

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

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

VIII. Effective Date

Pursuant to D.21-02-028, this advice letter is submitted with a Tier 1 designation and will be effective no sooner than 5 days after submission. PG&E requests that this advice letter be effective on **February 21, 2021**.

IX. 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 lists R.20-11-003, R.19-11-009, and R.20-05-003. Address changes to the General Order 96-B service list should be directed to PG&E at email address PGETariffs@pge.com. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at Process_Office@cpuc.ca.gov. Send all electronic approvals to PGETariffs@pge.com. Advice letter submittals can also be accessed electronically at: <http://www.pge.com/tariffs/>.

_____/S/

Erik Jacobson
Director, Regulatory Relations

cc: Service Lists R.20-11-003, R.19-11-009, R.20-05-003

Attachments



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) #: 6089-E

Tier Designation: 1

Subject of AL: Expedited Procurement Import Energy Contracts Under D.21-02-028

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. 21-02-028

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 Confidentiality Declaration and Matrix
 Confidential information will be made available to appropriate parties who execute a nondisclosure agreement. Name and contact information to request nondisclosure agreement/ access to confidential information: Don Howerton, DPHk@pge.com, 415-973-7276.

Resolution required? Yes No

Requested effective date: 2/21/21

No. of tariff sheets: 0

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

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

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

Tariff schedules affected: N/A

Service affected and changes 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:

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

**PACIFIC GAS AND ELECTRIC COMPANY
ADVICE LETTER FOR APPROVAL OF IMPORT ENERGY
CONTRACTS RESULTING FROM ITS EXPEDITED
PROCUREMENT PURSUANT TO DECISION 21-02-028**

**DECLARATION OF DON HOWERTON
SEEKING CONFIDENTIAL TREATMENT
FOR CERTAIN DATA AND INFORMATION
CONTAINED IN PG&E'S ADVICE LETTER**

I, Don Howerton, declare:

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

2. Based on my knowledge and experience, and in accordance with the Decisions 06-06-066, 08-04-023, and relevant Commission rules, I make this declaration seeking confidential treatment for certain data and information contained in PG&E's Advice Letter pursuant to Decision 21-02-028.

3. Attached to this declaration is a matrix identifying the data and information for which PG&E is seeking confidential treatment. The matrix specifies that the material PG&E is seeking to protect constitutes confidential market sensitive data and information covered by D.06-06-066, Appendix 1, and Public Utilities Code §454.5(G). The matrix also specifies why confidential protection is justified. Further, the data and information: (1) is not already public; and (2) cannot be aggregated, redacted, summarized or otherwise protected in a way that allows partial disclosure. By this reference, I am incorporating into this declaration all of the explanatory text that is pertinent to my testimony in the attached matrix.

I declare under penalty of perjury, under the laws of the State of California, that the foregoing is true and correct. Executed on February 16, 2021 at San Francisco, California.

A handwritten signature in black ink that reads "Donald P. Howerton". The signature is written in a cursive style with a large, prominent "D" and "H".

Don Howerton

PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)

**ADVICE LETTER FOR APPROVAL OF IMPORT ENERGY CONTRACTS RESULTING FROM ITS
EXPEDITED PROCUREMENT PURSUANT TO DECISION 21-02-028
FEBRUARY 16, 2021**

IDENTIFICATION OF CONFIDENTIAL INFORMATION

Redaction Reference	Category from D.06-06-066, Appendix 1, or Separate Confidentiality Order That Data Corresponds To	PG&E's Justification for Confidential Treatment	Length of Time
Confidential Appendices			
Appendix A: Calpine – Firm Import Energy Confirm	Item VII.B (Contracts and Power Purchase Agreements between utilities and non-Affiliated Third Parties (except RPS)).	The terms of the Firm Energy Import Confirm presented in this appendix are generally confidential. The terms of this contract that are public pursuant to Item VII. B. are publicly disclosed in Section IV. Selected Projects.	Contract documents and terms of contracts are confidential for three years from the date that the contract states that deliveries are to begin, or until one year following expiration, whichever comes first.
Appendix B: TransAlta – Firm Import Energy Confirm	Item VII.B (Contracts and Power Purchase Agreements between utilities and non-Affiliated Third Parties (except RPS)).	The terms of the Firm Energy Import Confirm presented in this appendix are generally confidential. The terms of this contract that are public pursuant to Item VII. B. are publicly disclosed in Section IV. Selected Projects.	Contract documents and terms of contracts are confidential for three years from the date that the contract states that deliveries are to begin, or until one year following expiration, whichever comes first.
Appendix D: Summary of Executed Agreements	Item VII.B (Contracts and Power Purchase Agreements between utilities and non-Affiliated Third Parties (except RPS)).	Contract specific terms between PG&E and the counterparty and between the counterparty and suppliers are confidential terms as they are not identified as public by Matrix term VII.B.	Contract documents and terms of contracts are confidential for three years from the date that the contract states that deliveries are to begin, or until one year following expiration, whichever comes first.

PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)

**ADVICE LETTER FOR APPROVAL OF IMPORT ENERGY CONTRACTS RESULTING FROM ITS
EXPEDITED PROCUREMENT PURSUANT TO DECISION 21-02-028**

FEBRUARY 16, 2021

IDENTIFICATION OF CONFIDENTIAL INFORMATION

Redaction Reference	Category from D.06-06-066, Appendix 1, or Separate Confidentiality Order That Data Corresponds To	PG&E's Justification for Confidential Treatment	Length of Time
Appendix E1: Independent Evaluator (IE) Report (Confidential)	Item VII.B (Contracts and Power Purchase Agreements between utilities and non-Affiliated Third Parties (except RPS)); Item VIII. B) Specific quantitative analysis involved in scoring and evaluation of participating bids.	The IE Report contains extensive discussion of the specific terms of the letter agreements and discussions with counterparties. The IE Report also contains information on the evaluation framework and price caps, which constitutes the confidential results of bid scoring and evaluation.	Contract documents and terms of contracts are confidential for three years from the date that the contract states that deliveries are to begin, or until one year following expiration, whichever comes first. Information under Item VIII. B is confidential for three years from the date winning contracts are submitted for CPUC approval.

PACIFIC GAS AND ELECTRIC COMPANY

Appendix A

Calpine – Firm Import Energy Confirm

(Confidential)

PACIFIC GAS AND ELECTRIC COMPANY

Appendix B

TransAlta – Firm Import Energy Confirm

(Confidential)

PACIFIC GAS AND ELECTRIC COMPANY

Appendix C

Description of Agreement

(Public)

Appendix C: Description of Agreement

Summary of Firm Energy Import Confirm

- These confirmations detail PG&E's purchase of import energy (firm physical power) for a set Contract Quantity, as measured in megawatt-hours (MWh), at a fixed Contract Price (US dollars per MWh), during the Delivery Hours, which are defined as Hours Ending (HE) 0700 to 2200 Monday to Saturday excluding NERC holidays, over the Delivery Period, July 1, 2021, to September 30, 2021, at a set Delivery Point, the California Oregon Border (COB).
- The Confirm stipulates that the import energy is not sourced from resources internal to the CAISO Balancing Authority Area. Buyer shall have no obligation to accept any energy sourced from resources internal to the CAISO Balancing Authority Area, and any such energy shall not be considered Product. CAISO Balancing Authority Area refers to the collection of generation, transmission, and loads within the metered boundaries of the California Independent System Operator Corporation.
- The transaction shall be effective as of the date of CPUC Approval, which is defined as the day of a final and non-appealable order of the CPUC, without conditions or modifications unacceptable to the Parties, or either of them, which approves of this Confirmation in its entirety, including payments to be made by the Buyer, subject to CPUC review of the Buyer's administration of this Agreement. The Buyer shall not have any obligation or liability to the Seller or any third party for any action or inaction of the CPUC or other Governmental Authority affecting the approval or status of the transaction.

PACIFIC GAS AND ELECTRIC COMPANY

Appendix D

Summary of Executed Agreements

(Confidential)

PACIFIC GAS AND ELECTRIC COMPANY

Appendix E1

Independent Evaluator (IE) Report

(Confidential)

PACIFIC GAS AND ELECTRIC COMPANY

Appendix E2

Independent Evaluator Report

(Public)

Pacific Gas and Electric Company
Summer 2021-2022 Capacity Procurement Process
Confidential Version

Independent Evaluator Report on
PG&E's Summer 2021-2022 Capacity Procurement

February 16, 2021

Prepared by
Merrimack Energy Group, Inc.
26 Shipway Place
Charlestown, Mass. 02129



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Appendix

Appendix A: Summary of Offers Submitted

I. Introduction

A. Overview of the Summer 2021-2022 Capacity Procurement Process

On December 29, 2020, Pacific Gas & Electric Company (“PG&E” or “Company”) issued a notification to prospective market Participants based on the December 28, 2020 Ruling of the Assigned Commissioner directing the state’s investor-owned utilities to seek contracts for additional power capacity to be available by the summer of 2021 or 2022. Through the notification, PG&E sought an indication of interest from prospective Participants by January 8, 2021 if the Participant believed it may be able to provide additional power capacity by the summer of 2021 or 2022 from one or several of the resource types identified in the notification.

As background, a Rulemaking¹ instituted by the California Public Utilities Commission (“CPUC”) on November 19, 2020 initially resulted in an Assigned Commissioner Ruling (“ACR”) on December 28, 2020 directing the large electric IOUs to seek contracts for capacity available for the peak and net peak demand in summer 2021 or summer 2022, set parameters for that procurement, and provided guidance for submitting the resulting contracts to the Commission for approval.

On January 8, 2021, a Proposed Decision of ALJ Stevens was issued in Rulemaking 20-11-003 which included revisions to the December 28, 2020 Ruling of the Assigned Commissioner. The Proposed Decision of January 8, 2021 directs and authorizes PG&E, Southern California Edison (“SCE”), and San Diego Gas & Electric Company (“SDG&E”) to contract for capacity that is available to serve peak and net peak demand in the summer of 2021 and seek approval for cost recovery in rates.²

The Proposed Decision of January 8, 2021 noted that there was little disagreement that a problem exists and there is a risk that outages could occur again in the summer of 2021. The Commission found there is a practical need for action to be taken now to ensure resources would be available by summer 2021. The Proposed Decision therefore ordered the State’s large electric IOUs to pursue contracts for additional incremental capacity procurement on an accelerated timeframe.

The Proposed Decision identified the parameters for the procurement to include:

- Resources must be deliverable during both the peak and net peak demand periods;
- For Commission consideration through a Tier 1 Advice Letter, a COD by June 1, 2021 is preferred but COD by September 1, 2021 will be considered;

¹ The impetus for the Rulemaking (20-11-003) was the summer 2020 rolling outages brought on by the prolonged extreme heat event, which required the CAISO to initiate rotating outages in its balancing authority area to prevent wide-spread service interruptions. The rolling outages spotlighted reliability deficiencies in California’s electricity system.

² The Proposed Decision of ALJ Stevens made two significant changes to the Assigned Commissioner Ruling including focusing solely on procurement of resources that can come on-line in 2021 and deferring consideration of Firm Forward Imported Energy contracts as eligible resources to a subsequent decision in this proceeding.

- Potential resources may include utility-owned generation, with Commission consideration for utility owned generation projects with a COD in 2021 through a Tier 2 Advice Letter;
- Resource types³ that may be considered for procurement include:
 - Incremental capacity from existing power plants through efficiency upgrades, revised power purchase agreements, etc.;
 - Contracting for generation that is at-risk of retirement;
 - Incremental energy storage capacity;
 - Resource Adequacy only contracts or contracts that include tolling agreements may be proposed;
- The large electric IOUs should initiate new bilateral negotiations and revisit offers from recent IRP Request for Offers bid stacks;
- Consistent with current procurement requirements, an independent evaluator (“IE”) and the Procurement Review Group (“PRG”)/CAM-PRG should be actively engaged in these procurement efforts;
- To the extent that comparable data exist, the procurement should be cost competitive with recently procured resources;
- The large electric IOUs shall procure on behalf of all customers in their service territories with the costs and benefits allocated to all benefitting customers through the CAM.

The Proposed Decision also described the required process for Commission Review. The Proposed Decision states that the large electric IOUs shall submit the contracts that conform with this decision for consideration as advice letter submittals no later than February 15, 2021. Along with the contracts, the advice letter submittals shall include the following additional summarized information to assist with the evaluation:

- A summary of the resources being selected and a brief discussion of the procurement and selection method and criteria;
- Operational information of the resource contracted and a demonstration that the resource will be available during the peak and net peak demand hours in summer 2021;
- Pricing and net market value analysis along with a summary of the key contract terms;
- A completed analysis by the Independent Evaluator;
- A demonstration of cost competitiveness;
- A demonstration that the resource is incremental;
- A demonstration that the resource has a path to deliver its online date in summer 2021.

The ALJ issued a Proposed Revised Decision on February 8, 2021 which contained the following revisions to the Proposed Decision:

- Asked the IOU’s to continue to engage with market participants regarding potential summer 2022 resources;

³The December 28, 2020 Ruling had allowed Firm Forward Imported Energy contracts to be an eligible resource type.

- Noted that incremental capacity is being procured to provide additional capacity to serve CAISO load. The Revised Decision encouraged CAISO to ensure that these resources do not support exports even if they are not designated as resource adequacy resources;
- Added back Firm Forward Imported Energy to the types of resources that will be considered for procurement;
- Clarified the Commission’s preference for storage resources, shorter duration contracts, and efficiency upgrades.

In response to its Summer 2021–2022 Procurement process, PG&E considered a range of resource types and options through this procurement process including reviewing and evaluating a number of the offers submitted, including all reasonable offers with a 6/1/2021 or 9/1/2021 COD. In addition, PG&E contacted counterparties with existing QF or RPS contracts who may have extra energy and/or capacity available via shifting energy into peak periods or offering additional resources from an existing unit up to the interconnection limits of the resource based on previous experiences with these projects.⁴ PG&E also sought opportunities to extend existing contracts beyond the termination date with a focus on short-term options. Also, once the Proposed Revised Decision of the ALJ added back Firm Forward Imported Energy as an eligible resource, PG&E immediately pursued contracts for Firm Forward Imported Energy for summer 2021 with counterparties who had offered this product in response to the Procurement Notification or other recent procurement processes.

Through this procurement process, PG&E is requesting CPUC approval of the resources procured through its Summer 2021 – 2022 Procurement process for up to 385.3 MW of firm energy/capacity, including ten Letter Agreements for call options for additional energy during peak period for summer 2021 for up to 135.3 MW, and two Confirmations for Firm Forward Imported Energy for 250 MW for July – September of 2021.

Separately, PG&E plans to continue pursuing two software enhancement projects at PG&E utility-owned sites for up to 20 MW.

B. Issues Addressed in This Report

This report addresses Merrimack Energy’s assessment and conclusions regarding the following issues identified in the CPUC’s IE Report Template:

1. Describe the role of the IE throughout the procurement process;
2. How did the IOU conduct outreach to bidders? Was the procurement process robust?

⁴ PG&E informed the IE that it had executed additional Energy Letter Agreements with several of the same counterparties with whom PG&E had executed agreements during the summer of 2020. This process proved successful in allowing PG&E to secure additional peak period energy during the 2020 summer emergency period through these agreements.

3. Evaluate the administration of the procurement process including the fairness of the investor-owned utility's ("IOU's") bid evaluation and selection process (i.e., quantitative and qualitative methodology used to evaluate and select offers, and consistency of evaluation and selection methods with criteria specified in bid documents, etc.);
4. Describe PG&E's Least Cost Best Fit ("LCBF") methodology for evaluating offers. Was the LCBF process fairly administered? Evaluate the strengths and weaknesses of the IOU's methodology;
5. Describe the applicable project specific negotiations. Highlight any areas of concern including unique terms and conditions;
6. If applicable, describe safeguards, code of conduct and methodologies employed by the IOU to compare affiliate bids or utility-owned generation ownership offers. If a utility selected an offer from an affiliate or an offer that would result in utility asset ownership, explain whether the IOU's selection of such offer was appropriate;
7. Do the contract(s) merit CPUC approval? Is the contract reasonably priced and does it reflect a functioning market?
8. Based on the complete bid process, was the RFO acceptable?

II. Description of the Role of the IE

A. Regulatory Requirements For the IE

While Merrimack Energy typically includes a history of CPUC decisions that have required investor-owned utilities in California to use an IE in resource solicitations, we are not providing the details associated with CPUC decisions that have required IE involvement. Instead, both the Assigned Commissioner Ruling and the Proposed Decision of the ALJ recommend that an Independent Evaluator should be actively engaged in the procurement efforts consistent with current procurement requirements.

B. Description of Key IE Roles

In compliance with the above requirements, PG&E selected Merrimack Energy Group, Inc. ("Merrimack Energy") to serve as IE for the Summer 2021-2022 Capacity Procurement process in December 2020.⁵ The overall objective of the role of the IE is to ensure that the solicitation process is undertaken in a fair, consistent, unbiased, and objective manner and

⁵ Merrimack Energy was retained to initially serve as IE for PG&E's 2019 System Reliability Request for Offers – Distributed Generation Enabled Microgrid Services (DGEMS) Phase, which was initiated in November 2019 and suspended in February, 2020. Merrimack Energy also served as IE for PG&E's System Reliability RFOs Phase 1 and 2 processes undertaken in 2020.

that the best resources are selected and acquired for the benefit of customers consistent with the solicitation requirements. This role generally involves a detailed review and assessment of the evaluation process and the results of the quantitative and qualitative analysis.

In addition to the requirements identified in CPUC Orders, the Scope of Work included in the Contract Work Authorization (“CWA”) between Merrimack Energy and PG&E clearly identifies the tasks to be performed by the IE. These include the following tasks:

- Advise on the consistency of solicitation activities with the CPUC’s procurement-related rules and procedures and PG&E’s Commission-approved procurement authority;
- Assist in the development, design, and review of the solicitation/procurement process, as applicable. Promptly submit any recommendations to PG&E and/or CPUC, consistent with the objective of ensuring a competitive, open and transparent process, and to ensure that the overall scope of the solicitation process is not unnecessarily broad or too narrow;
- Monitor all communications and/or negotiations between PG&E and counterparties, as required by the solicitation’s objectives as outlined;
- Provide recommendations and reports, if required by PG&E and/or the CPUC, concerning the definition of products sought and price and non-price evaluation criteria; so that all aspects of the products are clearly understood, and all bidders may effectively respond to the solicitation, as applicable;
- Review the comprehensive quantitative and qualitative bid evaluation criteria and methodologies applied to any Summer 2021/2022 Capacity Procurement and assess whether these are applied to all bids in a fair and non-discriminatory manner. The Consultant will be provided access to PG&E’s personnel, modeling tools, and meeting documentation in order to credibly evaluate the bid evaluation and selection processes;
- Report on the outcome of a solicitation using the appropriate CPUC-approved Independent Evaluator Report Template, which may be amended from time to time, for inclusion in any Advice Letter, Application, and/or Quarterly Compliance Report filings;
- Monitor the solicitation, bilateral negotiation and/or contract amendment processes and promptly submit recommendations to PG&E’s management to ensure that no bidder has an information advantage and that all bidders or counterparties, if applicable, receive access to relevant communications in a non-discriminatory manner. This task may include monitoring contract negotiations and/or keeping apprised of negotiation status and major issues;
- Provide presentations to PG&E’s management, the Procurement Review Group (PRG), and the CPUC Energy Division (ED), if requested, regarding the Consultant’s findings or status. Communicate periodically with the Energy Division (“ED”) as a check on the solicitation process;
- Provide a written assessment as to whether the solicitation process, bilateral negotiations and contract amendment processes were open, transparent and fair,

- and whether any bidder received material information that gave them a competitive advantage or disadvantage relative to other bidders;
- Provide a final written assessment as to whether or not PG&E's evaluation criteria and methodologies were reasonable and appropriate and were applied in a fair and non-discriminatory manner for all offers received;
 - Prepare or assist in the preparation of direct and/or rebuttal testimony, and participate as a witness or in an advisory capacity during administrative hearings, as required, before the CPUC and/or FERC in any associated proceedings;
 - Perform other duties as may be further defined in subsequent relevant regulatory proceedings or required by PG&E's senior management.

C. Description of IE Oversight Activities

As noted, Merrimack Energy was retained as the IE by PG&E in December 2020. In performing its oversight and evaluation role, the IE participated in and undertook a number of activities in connection with the procurement process including reviewing notices to bidders, monitoring communications between PG&E and the Participants, reviewing and commenting on the internal Procurement Framework for Emergency System Reliability Procurement, organizing and summarizing the offers received, reviewing the evaluation results and resources considered for initial consideration and final selection, participating in meetings with Participants after receipt of offers and during project discussions, communicating with PG&E's Project Manager, project team, and transactors on a regular basis to discuss procurement and contract issues, participating in meetings with the PRG, PG&E's Evaluation Committee and PG&E's Advisory Committee, as held and as required, and monitoring the contract negotiation process with shortlisted or considered Participants.

This report provides an assessment and review of PG&E's Summer 2021-2022 Capacity Procurement Process from notices sent to prospective bidders through execution of the final Agreements. The role of the IE is also discussed as it pertains to specific activities in Section IV of this report.

III. Did PG&E Do Adequate Outreach to Bidders and Was the Procurement Process Robust?

This section of the Report focuses on the adequacy of outreach activities of PG&E and the robustness of the response of bidders with regard to the procurement process.

A. Describe the IOU outreach to potential bidders (e.g., sufficient publicity, emails to expected interested firms)

Outreach activities are important to the success of any competitive procurement process. PG&E's outreach efforts targeted a large number of potential Participants based on PG&E's contact lists of energy companies and individuals, including Participants who submitted offers into the 2020 System Reliability RFOs for both the Phase 1 and Phase 2

processes. These efforts likely played a role in the robust response to the procurement process in terms of number of Participants and specific offers or projects.

PG&E maintains a detailed list of potential Participants with approximately 2,700 contacts that serves as the database for Seller contact and outreach. PG&E sent emails to all potential Participants on this list informing them of the Summer 2021-2022 Capacity Procurement process. The list includes Diverse Suppliers.

PG&E sent its first Notification to the potential Participant list on December 29, 2020. The Notification informed prospective Participants of the December 28, 2020 Assigned Commissioner Ruling calling for the utilities to seek contracts for additional power capacity to be available by the summer of 2021 or 2022. The Notification provided a link to the ruling, identified the eligible resource types included in the ruling, requested that prospective Participants provide an indication of interest to PG&E by January 8, 2020, asked Participants to indicate the year (i.e., 2021 or 2022) for which the Participant intended to provide additional capacity, and identify the resource type the Participant intended to provide.

On January 5, 2021, PG&E sent a follow-up Notification to prospective Participants stating that PG&E had uploaded an Offer Form to the PowerAdvocate Platform along with a link to PowerAdvocate. Participants that wished to offer additional power capacity by the summer of 2021 or 2022 must fill out the Offer Form and Supplemental Project Information document and submit both to the PowerAdvocate Platform Event for this procurement process. All documents must be submitted via the PowerAdvocate Platform by Friday, January 8, 2021 by 5:00 pm (PPT).

On January 11, 2021, PG&E sent out a third Notification to prospective Participants, notifying the Participants that the CPUC had issued a Proposed Decision in R.20-11-003 directing IOUs to seek contracts for additional power capacity for summer 2021 Reliability. This Proposed Decision replaces the ACR issued on December 28, 2020. PG&E provided a link to the Proposed Decision and noted two key changes from the ACR: (1) IOUs are to procure solely for 2021 capacity at this time; and (2) Firm Forward Imported Energy contracts are no longer one of the Resource Types that can be considered. Per the Proposed Decision, PG&E noted that it will be prioritizing resources for summer 2021 and that Firm Forward Imported Energy contracts and procurement for summer 2022 will be considered in a subsequent decision.

PG&E initiated a comprehensive process for communicating with bidders for the Summer 2021 – 2022 Capacity Procurement process. PG&E utilized the PowerAdvocate Platform as the means for Participants to submit their offers. In addition, the PowerAdvocate Platform contained the Offer Form, Project Description information, and available contracts and confirms for Participants to access. Communications with Participants would be conducted via PG&E System Reliability RFO messaging.

PG&E did not initiate a public website for the Summer 2021-2022 Capacity Procurement process since the PowerAdvocate Platform was developed to provide all information

Participants required. The following documents and information were included on the PowerAdvocate Platform for Participant review and utilization:

- Offer Form;
- Supplemental Project Information;
- RA Confirm;
- Behind the Meter Resource Adequacy Agreement (“BTM RAA”);
- Long-Term Resource Adequacy Agreement (“LTRAA”);
- Long-Term Resource Adequacy Agreement with Energy Settlement (“LTRAA w/ES”);
- Import Energy Confirm.⁶

B. Identify Principles Used to Determine Adequate Robustness of a Procurement Process (e.g., number of proposals submitted, number of MWhs associated with submitted proposals).

With regard to assessing whether the response to the procurement process was adequately robust, there are several criteria to consider:

- Was the response to the procurement process commensurate with the level of outreach?
- Did the procurement process encourage a diverse response from Participants in terms of products requested, project structure, pricing options, etc.?
- Was the response large with respect to the number of proposals and megawatts (“MW”) offered relative to the amount requested?
- Was the process a competitive process based on the amount of MW submitted by Bidders relative to the number of MW requested?
- Were the procurement process documents clear and concise such that Participants could clearly assess how to structure a competitive offer?

C. Did the IOU Do Adequate Outreach? If Not, Explain in What Ways it Was Deficient

There are several criteria generally applied for assessing the performance of the utility in its outreach and marketing activities:

- Did the utility contact a large number of prospective Participants?

⁶ As noted, Firm Forward Imported Energy Contracts were not initially eligible for this procurement process. However, on February 8, 2021, the Commission issued a revision to the Proposed Decision stating that Firm Forward Imported Energy would be an eligible resource type for this solicitation and would now be considered as part of the 2021 procurement.

- Were the utility’s outreach efforts active or passive?
- Did the utility adequately market the procurement process?
- Could prospective bidders easily access information about the procurement process?
- Did any prospective bidders complain about the process or access to information?

As noted above, PG&E contacted a large number of prospective Participants to inform them of the issuance of the Summer 2021-2022 Capacity Procurement Process. The outreach activities of PG&E can be classified as “active” given that emails about the Summer 2021-2022 Capacity Procurement Process were directly sent to PG&E’s substantial list of prospective Participants. PG&E also used the PowerAdvocate Platform both as a means of providing information to prospective Participants, including Offer Form, proforma contracts and the Supplemental Project Information form, as well as a repository for Participants to submit their offers.

D. Was the Solicitation Adequately Robust

The overall result of this outreach activity was a significant level of interest from the market and a robust response from Participants, particularly given the short turn-around time for submitting offers to this procurement. Offers were also received from a range of eligible Participants who offered proposals for all products requested. In addition, several projects which were submitted to the System Reliability RFOs Phase 1 and 2 were also submitted into this procurement process.

PG&E received offers for a total of 52 unique projects from 33 counterparties. Based generally on the largest eligible offer submitted⁷, a total of 5,460⁸ MW of capacity was submitted. The IE found the response from the market to be significant, [REDACTED] for a short duration proposal, which conformed to PG&E’s preferences.

In conclusion, the response of the market to PG&E’s emergency procurement process provides evidence that the outreach and Participant engagement activities of PG&E were effective, and Participants felt they had an adequate opportunity to receive a contract from the process.

E. Did the IOUs Seek Adequate Feedback About the Bidding/Bid Evaluation Process From All Bidders After the Solicitation Was Complete?

⁷ While Merrimack Energy focused on including the largest single offer in the totals, there were a few cases where Merrimack opted to include the lower MW option because of the likelihood that the larger option may not be viable.

⁸ The information provided in this section refers to all offers submitted in response to the Procurement Notification and therefore includes offers for 2021 and 2022.

Given the short turn-around time for this procurement process, and the tight timeframe to submit its Advice Letter, PG&E did not seek feedback from Participants about the process. PG&E did inform Participants with 2022 projects and Firm Forward Imported Energy agreements that PG&E expected to initiate procurement for these resources in the near term. However, when PG&E was notified of the revision in the Proposed Decision to include Firm Forward Imported Energy offers, PG&E reached out to the counterparties who submitted offers and identified counterparties whose pricing fell within the parameters of the evaluation framework to complete the transactions within the 5-day period remaining before the Advice Letter filing was due.

F. Was the Outreach Sufficient and Materials Clear Such That the Bids Received Meet the Needs the Procurement Was Intending to Fill?

The outreach effort appeared to be more than sufficient based on the number of offers and projects submitted given the short turn-around time. However, since the offers were submitted the same day as the ALJ issued its Proposed Decision, and Participants likely were not aware of the revisions to the requirements of the procurement at the time, a number of Participants submitted offers with a 6/1/2022 COD or offered Firm Forward Imported Energy options which were not included as eligible resources in the ALJ's Proposed Decision.

In addition to seeking offers for summer 2021-2022 capacity via its notification process, PG&E also contacted several suppliers unilaterally who had either provided an option to PG&E to request additional excess energy from their project during the summer of 2020 or who may have additional capacity or energy available.

G. Any Other Relevant Information or Observations

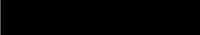
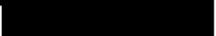
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IV. Framework for Emergency Procurement and Bid Evaluation and Selection Methodology and Design

A. Procurement Framework for Emergency System Reliability Procurement

Based on the unique procurement requirements identified in the Proposed ALJ Decision, PG&E prepared a framework to guide its decision-making associated with the emergency procurement process and provided the framework to the IE for review and comment. PG&E identified its guiding principles to be (1) improve system reliability for Summer 2021 and (2) customer affordability (as measured by total net customer cost).

	Incremental energy storage capacity	
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PG&E noted that it intended to procure resources starting with  with a focus on procuring resources for the summer, 2021, and ending with  PG&E intended to complete due diligence on the viable offers first to determine if they are able to make a 2021 on-line date. If they can make a 2021 on-line date, PG&E planned to evaluate and rank offers based on Net Market Value (NMV) within each Product Type, with the exception of Product Type 1, which is a free call option for additional energy.

B. Identification of Principles for Evaluating PG&E’s Bid Evaluation Methodology

This section of the report addresses the principles and framework underlying the IE’s review of PG&E’s evaluation and ranking methodology for the Summer 2021 – 2022 Capacity Procurement Process. One of the important questions in this regard is whether the bid evaluation and ranking methodology was fair and appropriate for this type of “all source” procurement process.

Unlike typical solicitation processes, for the Summer 2021-2022 Capacity Procurement Process, PG&E did not include any Protocol documents to provide guidance to Participants and did not hold a Bidders Webinar. Instead, given the accelerated nature of the procurement process, PG&E requested information from Participants without going through the typical longer duration solicitation process. The information provided to Participants was limited to the Ruling of the Assigned Commissioner on December 28, 2020, Proposed Decision of ALJ Stevens on January 8, 2021, and market notifications sent by PG&E to its list of potential Participants.¹¹ Participants were provided with an Offer Form, which was similar to the Offer Form used in the System Reliability RFO – Phase 2 process, Supplemental Project Information document, and several proforma contracts. PG&E classified the process as a Request for Information as opposed to a formal RFO process based on the emergency nature of the procurement.

It was clear that the project targets, products solicited, principles and objectives were not as clearly defined as in a typical solicitation process since PG&E only provided a one-page notification to Participants that identified the products solicited. That said, this aligned with the lack of defined targets and products provided in the Proposed Decision. Additionally, the Proposed Decision of the ALJ, issued at approximately the same time as Participants were requested to provide offers, did cause issues for Participants, several of whom submitted offers for products that were not eligible based on revisions made in the Proposed Decision of the ALJ to focus on 2021 offers and the elimination of Firm Forward Imported Energy contracts. PG&E’s Procurement Framework for Emergency System

¹¹ ALJ Stevens issued a Revised Proposed Decision on February 10, 2021 that reinstated Firm Forward Energy Contracts as eligible resources.

Reliability Procurement, which was provided to the IE, provided guidance for consideration and selection of resources.

PG&E did generally follow the procurement framework in combination with the general quantitative evaluation criteria and methodology utilized for the System Reliability RFOs. Furthermore, the methodologies applied to the different types of products were fair and reasonable and did not unduly bias any technologies or products. Also, PG&E did apply consistent evaluation methodologies and models to the various proposals or project structures sought. The methodologies applied were consistent with the project structure evaluated. The IE provided some comments regarding the price caps and PG&E made revisions for the final price caps to reflect the IE's comments.

To address the other issues identified, the IE will first present a detailed description of the bid evaluation methodology and process implemented by PG&E to undertake the procurement process and evaluation. This includes the criteria used in the evaluation. Subsequently, the IE then discusses the strengths and weaknesses of the methodology relative to the issues identified above.

C. Overview Description of PG&E's Least Cost Best Fit ("LCBF") Evaluation Methodology

This section of the report provides an overall description of those components of PG&E's bid evaluation methodology, procedures, and criteria utilized in the 2020 System Reliability RFO – Phase 2 process which are applicable to the Summer 2021-2022 Capacity Procurement process. The methodology selected is designed to generally conform to the Least Cost Best Fit ("LCBF") procedures applied in other solicitations. For this report, the IE is providing a general summary of the overall methodology used in the evaluation in this section of the report.

From a quantitative perspective, an evaluation would be performed on all offers by first calculating each project's Net Market Value ("NMV"). Net Market Value will be measured in present value [REDACTED] and then projects will be ranked from highest to lowest (i.e., highest net benefits).

D. Detailed Description of the Evaluation Process

The following section of the report provides a more in-depth discussion of the components of the quantitative evaluation methodology and process used by PG&E and describes in general how the various types of offers would be evaluated. In addition, this section includes a description of the input assumptions utilized for evaluation purposes.

Valuation Components Overview

In the procurement process, a Participant submits an offer detailing the costs and operational characteristics of the generation facility. For each Offer, NMV is calculated based on the summation of several components as follows:

Net Market Value: $NMV = E + C - (V + F + T)$ where

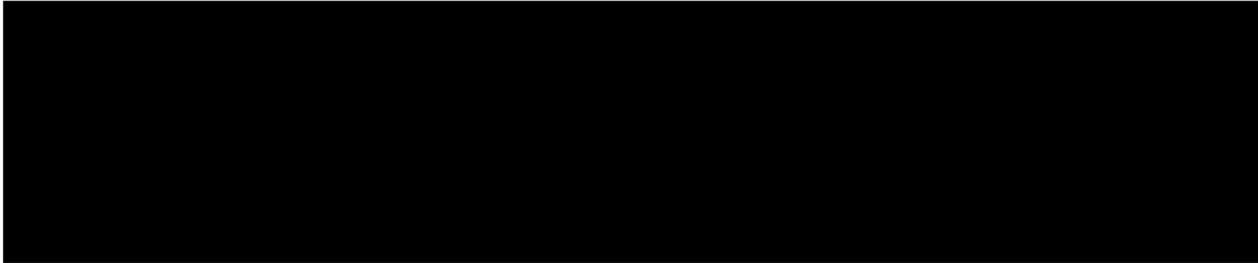
C = Capacity Value (if applicable)

E = Energy Value

V = Variable Cost

F = Fixed Cost

T = Transmission Network Upgrade Cost (if applicable)¹²



The [redacted] market curves were used for evaluating the Offers received. Given the focus on 2021 offers only, PG&E did not evaluate any offers for 2022 for this procurement process.

Valuation Summary by Resource Type¹³

PG&E prepared its evaluation methodologies to be consistent with the products and contract types requested. There are four product types which bidders may offer:

- Resource Adequacy (RA) Confirm;
- Long-Term Resource Adequacy (LTRAA) – System and Local (Existing Resources or In-Front-of-the-Meter Resources from new projects);
- Long-term Resource Adequacy (System and Local) with Energy Settlement (LTRAA w/ES) - In-front-of-the-meter Long-Term RA (new projects) with Energy Settlement; and
- Behind the Meter Resource Adequacy Agreement (BTM RAA)

Table 2 below provides a summary of the NMV components for each agreement type along with a description of how the various components are applied.

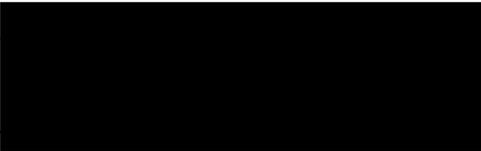
Table 2: Valuation Summary by Agreement Type

Resource/Contract Type	Components	Explanation
Resource Adequacy (Long-term RA Agreement and RA Confirm)	The NMV includes the components: $NMV = C - (F + T)$	[redacted]

¹² The value for transmission network upgrade cost was derived from the information provided by the Participant in its offer form.

¹³ Note that imports are discussed later in this report.

Resource Adequacy with Energy Settlement and BTM RAA	$NMV = E + C - (F + T + V)$
--	-----------------------------



Valuation Components

The following sections describe in more detail how the costs and benefit values of each component are included for each Agreement type.

Energy Value

As noted above, the Energy Value component applies to several Agreement options including Behind-the-Meter and In-Front-of-the-Meter Long-Term RA agreement with Energy Settlement.

For Long-Term RA Agreements with Energy Settlement,



For BTM options,



Capacity Value

The Capacity Value component is applicable for all Product types listed in Table 2.¹⁴ Capacity value is the net present value of monthly capacity values across all months during the delivery period.



The amount of NQC and EFC are determined by the particular asset operating characteristics as specified in its Offer. NQC for Energy Storage offers is, in general, based on the maximum discharge power that ES can continuously sustain for 4 hours in 3 consecutive days. EFC for Dispatchable Energy Storage offers will be determined based

¹⁴ Note that Firm Forward Imported Energy offers did not have a capacity value.

on Appendix B of CPUC Decision 14-06-050 dated June 26, 2014. The calculations are implemented in the Offer Form.

Fixed Cost

Fixed Cost is applicable for all product types. [REDACTED]

Input Assumptions

An important aspect of the offer evaluation process is the development of input assumptions to use in the evaluation of the Participant's pricing formulas and other evaluation parameters. The key input prices for the evaluation include RA price curves and hourly energy prices. This includes the following components:



E. Evaluation of the Strengths and Weaknesses of PG&E's Methodology in This Procurement Process

PG&E implemented a methodology for evaluating the eligible offers received in response to the 2020 System Reliability RFO – Phase 2 that also includes all resource options for resource eligibility included in the Summer 2021-2022 Capacity Procurement process. PG&E used a modified version of existing methodologies used in previous System Reliability RFO solicitations to address the requirements of this procurement. Since the procurement process is seeking incremental energy and Resource Adequacy capacity, the focus of the evaluation methodology is designed to assess the cost and benefits of each offer.

Strengths of Evaluation and Ranking Methodology

The following represents the IEs perspective regarding the strengths associated with the evaluation and ranking methodology implemented by PG&E for the Summer 2021-2022 Capacity Procurement process which is primarily seeking RA capacity. These include:

- The methodology used by PG&E takes into consideration all reasonable costs and benefits associated with the various types of offers, project structures, and contract structures;
- The overall evaluation methodology is capable of effectively and consistently evaluating a range of different types of resources, project structures with different terms, product sizes, and operating parameters. The IE does not view the

methodology as having a bias toward any product submitted into this procurement process;

- PG&E uses consistent input assumptions for undertaking the evaluation of all offers;
- PG&E's Offer Forms were generally transparent and interactive with drop down menus for a number of fields. However, while most Participants were able to utilize the Offer Form on which to submit their offers, a few Participants submitted unique project structures which did not easily conform to the offer form structure. Some Participants submitted separate cover or offer letters describing their offers instead.

Weaknesses of the Evaluation and Ranking Methodology

Based on the proposed evaluation methodology for this procurement process, Merrimack Energy has raised one potential weakness.

- Merrimack Energy raised a few questions regarding the appropriate price caps for which to compare proposed prices. Notably, PG&E originally proposed applying



F. Future LCBF Improvements

Given the unique nature of this procurement process, Merrimack Energy has no additional recommendations for future improvements in the evaluation and ranking process.

G. Revisions to Bid Evaluation Criteria

The CPUC IE Report Template requests the IE to address whether the bid evaluation criteria changed after the bids were received and to explain the rationale for the changes. For this procurement process, PG&E utilized a modified evaluation methodology that was consistent with the quantitative evaluation methodology used for the System Reliability RFO - Phase 2 process. PG&E did not apply the qualitative criteria in the same manner as the Phase 1 and Phase 2 processes, which included a project viability assessment and a ranking process, although a screening for the ability for a project to make a 2021 on-line date was completed.

H. Additional Information or Observations Regarding PG&E's Evaluation Methodology

No additional information or observations are provided.

V. Administration of the Summer 2021-2022 Capacity Procurement Solicitation Process

In performing its oversight role, the IE participated in and undertook a number of activities in connection with the Summer 2021-2022 Capacity Procurement process, participating in conference calls with the PG&E project teams given the expedited nature of the solicitation, participating in discussions on the offer evaluation methodology and selection process, organizing and summarizing the offers received, reviewing and commenting on the evaluation and selection process and results, and participating in some calls with Participants throughout the evaluation, selection and negotiation processes.

A list of the key milestone events which occurred during the procurement process as well as the activities of the IE during the procurement process consistent with the important activities and milestones for the process are described below.

A. Notification to Prospective Participants

As noted, on December 29, 2020, PG&E notified prospective Participants of the Assigned Commissioner's December 28, 2020 ruling directing the state's IOU's to seek contracts for additional power capacity to be available by the summer of 2021 or 2022. PG&E asked Participants to provide an indication of interest to PG&E by January 8, 2021 if interested and provided a link to the System Reliability RFO through which Participants could submit their indication of interest as well as the year and type of resource the Participant intended to provide.

PG&E sent another notification to Participants on January 5, 2021. The notification informed Participants that PG&E had uploaded an Offer Form and supporting documents that Participants should complete and provide with their offer submission. Participants interested in offering additional power should submit their offers via PowerAdvocate for which PG&E provided the link. On January 11, 2021, PG&E sent another notification to its Participants list informing Participants of the January 8, 2021 CPUC issued Proposed Decision of the ALJ directing IOUs to seek contracts for additional power capacity for summer of 2021. PG&E also informed Participants that per the Proposed Decision, firm forward imported energy contracts are no longer one of the resource types than can be considered.

As noted, PG&E utilized the PowerAdvocate Platform, which was used as a repository for the Participants to submit their Offer Forms and supporting documentation.

B. Submission of Offers – January 8, 2021

In its December 29, 2020 and January 5, 2021 Notifications, PG&E stated that the requested date for PG&E to receive responses from Participants was January 8, 2021. Participants were requested to submit an Offer Form and Supplemental Project Information to the PowerAdvocate Platform.¹⁵ Upon submission of the offer forms to the PowerAdvocate Platform, the IE reviewed the submissions and prepared a summary table which contained pricing, operational information, commercial and other pertinent information associated with each offer variant. Based on the IE's assessment, PG&E received offers from a total of 52 unique projects from 33 counterparties, representing approximately 113 offer variants. PG&E received offers for all six of the originally eligible products listed in Table 1. In addition, Participants offered a range of contract structure options as well, including Long-Term RA Agreements, Long-Term RA Agreement with Energy Settlement, RA Confirm, BTM RA Agreement, Tolling Agreement, and Import Energy Confirm.

Appendix A to this report provides a list of all conforming offers submitted by Participants, in response to PG&E's notification, including the Participant name, project name, Resource proposed, Product Category identified by PG&E, number of variants offered for each project, COD date and MWs offered. In addition to these offers, PG&E team members reached out to counterparties with whom PG&E has existing agreements to assess if the counterparties had any additional capacity or energy available within the existing contracts or could extend a contract which is terminating.

Table 3 provides a breakdown of the number of projects submitted by Product type and priority as well as the total MWs in each category for all 2021 and 2022 offers. In addition, Table 3 includes a summary of the offers submitted for 2021 only.

Table 3: Summary of Offers by Product Type

Product/Procurement Type	Number of Unique Projects	Total MWs Offered	Number of Unique Projects – 2021 COD	Total MWs – 2021 COD
1. Revised Power Purchase Agreements	1	100	1	100
2. Contracting for Generation that is at-risk of Retirement	2	52.56	1	28.6
3. Resource Adequacy Only Contracts or Contracts that include Tolling Agreements	13	1,141	7	373.6

¹⁵ While most Participants did submit the required Offer Form, not all Participants also included Supplemental Project Information document.

4. Incremental Capacity from Existing Power Plants through Efficiency Upgrades	3	117.5	3	117.5
5. Incremental Energy Storage Capacity	25	2,651	4	119
6. Firm Forward Imported Energy	8	1,398	8	1,398
Total Projects	52	5,460	24	2,136.7

As illustrated in the above table, [REDACTED]

C. Communications with Bidders

Upon receipt of the offers, the PG&E procurement team began to review the offers and hone in on those offers which provided a June 1, 2021 or September 1, 2021 COD date. A total of twenty-four projects had a COD in the summer of 2021.¹⁷ Throughout the procurement process, the IE monitored communications with Participants who submitted offers via the procurement process that were under consideration for selection. The IE was copied on all emails between PG&E and the counterparty.

D. Evaluation of the Offers Submitted

Subsequent to the initial review, PG&E began to evaluate the offers from a quantitative perspective, prepared evaluation files with the offer evaluation results, and provided the files to the IE for review and assessment. PG&E submitted a few rounds of evaluation output files to the IE beginning in mid-January 2021. PG&E updated its evaluation files as Participants confirmed their pricing or provided either updated or additional offer pricing.

PG&E's evaluation files which were provided to the IE and served as the basis for the evaluation results included the following tabs:

¹⁶ There were four projects for long-term energy storage offered with a summer 2021 COD. [REDACTED]

¹⁷ Of this total, there were 7 offers for Firm Forward Imported Energy and one offer for Import RA.

Similar to the integration model prepared by PG&E at Merrimack Energy’s request for previous Energy Storage Solicitations.

E. Resource Considerations

As noted, PG&E’s objective was to assess whether there was adequate capacity available beginning in the summer of 2021. PG&E also considered whether the offers had a positive Net Market Value and did not violate the specified price caps.

PG&E’s assessment of options included projects from which PG&E has identified the potential for additional energy during the peak summer period of 2021 based on previous call option agreements with these counterparties from summer of 2020, other projects that may have available capacity, and the offers submitted in response to PG&E’s procurement notification. Since the project structures differ, the list of projects is provided in Tables 4-7 below. For offers submitted in response to the procurement notification, the NMV of the offers is also included. Appendix A to the report contains a listing of all the options provided.

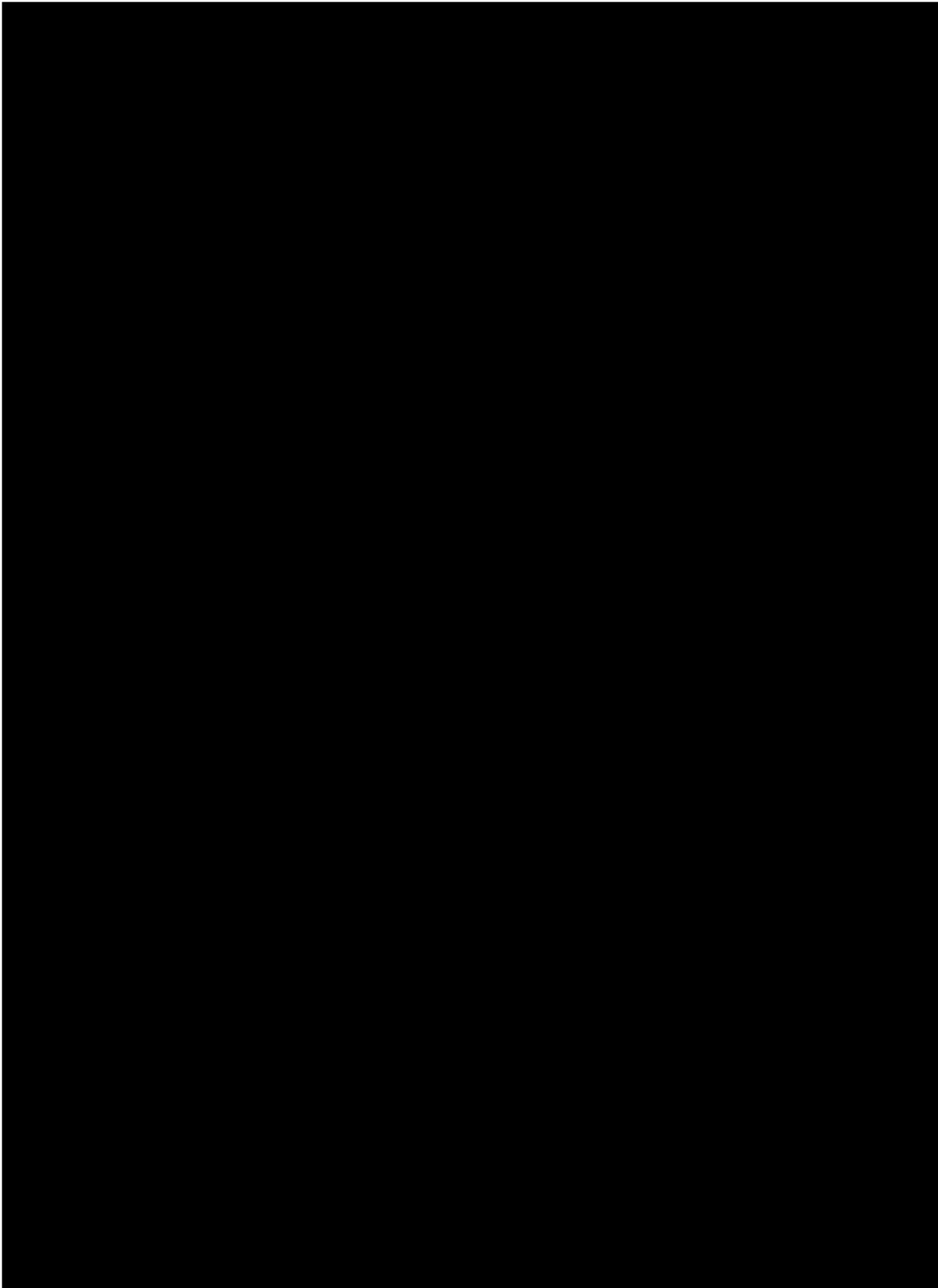
Table 4: Short-Term Call Option Resources for Summer 2021

Counterparty	Project	Agreement	MW Expected	Term
SPI ¹⁸	Anderson 2	Letter Agreement for Additional Energy	30 - 63 ¹⁹	June, July, August, Sept, Oct 2021
SPI	Burney Biomass	Letter Agreement for Additional Energy		June, July, August, Sept, Oct 2021
SPI	Lincoln Biomass	Letter Agreement for Additional Energy		June, July, August, Sept, Oct 2021
SPI	Quincy Biomass	Letter Agreement for		June, July, August,

¹⁸ SPI included five projects. PG&E and SPI executed one Letter Agreement encompassing all five projects listed in Table 4 (i.e., rows 1-5).

¹⁹ The 63 MW represents the potential total MWs associated with all five projects listed.

		Additional Energy		Sept, Oct 2021	
SPI	Sonora	Letter Agreement for Additional Energy		June, July, August, Sept, Oct 2021	
Western Power and Steam Cogeneration	Western Power and Steam Cogen	Letter Agreement for Additional Energy	2	June, July, August, Sept, Oct 2021	
Chevron USA	Taft/Cadet	Letter Agreement for Additional Energy	2.2	June, July, August, Sept, Oct 2021	
Chevron USA	Cymric	Letter Agreement for Additional Energy	1.5	June, July, August, Sept, Oct 2021	
Chevron USA	Coalinga	Letter Agreement for Additional Energy	3.2	June, July, August, Sept, Oct 2021	
Chevron USA	SE Kern River	Letter Agreement for Additional Energy	15.0	June, July, August, Sept, Oct 2021	
Chevron USA	East Ridge	Letter Agreement for Additional Energy	3.0	June, July, August, Sept, Oct 2021	
Chevron USA	McKittrick	Letter Agreement for Additional Energy	4.5	June, July, August, Sept, Oct 2021	
Wheelabrator Shasta	Wheelabrator Shasta	Letter Agreement for Additional Energy	15.9	June, July, August, Sept, Oct 2021	
Crockett Cogeneration	Crockett	Letter Agreement	25.0	April, May, June, July, August, Sept, October, November, December, 2021	



PG&E also has plans to undertake scheduled software enhancements at two utility-owned power plants, which will result in a total additional capacity of 8-10 MW. It is our understanding that the software enhancements will allow for increases in firing temperature which allows the resource to generate more MWs. These two UOG options are listed in Table 5, which includes the cost of each software enhancement.

Table 5: UOG Options

Counterparty	Project	Agreement	MW Expected	Term
PG&E PowerGen	Gateway	UOG	10	Balance of life of plant
PG&E PowerGen	Colusa	UOG	10	Balance of life of plant

PG&E also evaluated short-term and mid-term offers provided by Participants in response to the procurement notification. Table 6 provides a summary of the offers and the quantitative evaluation results in NMV levelized

Table 6: Short and Mid -Term Offers

Counterparty	Project Name	Agreement	Payment Quantity (MW)	Term	COD	Contract Price (\$/kW-month)	NMV (\$/kW-month)
<i>Short-Term Offers</i>							

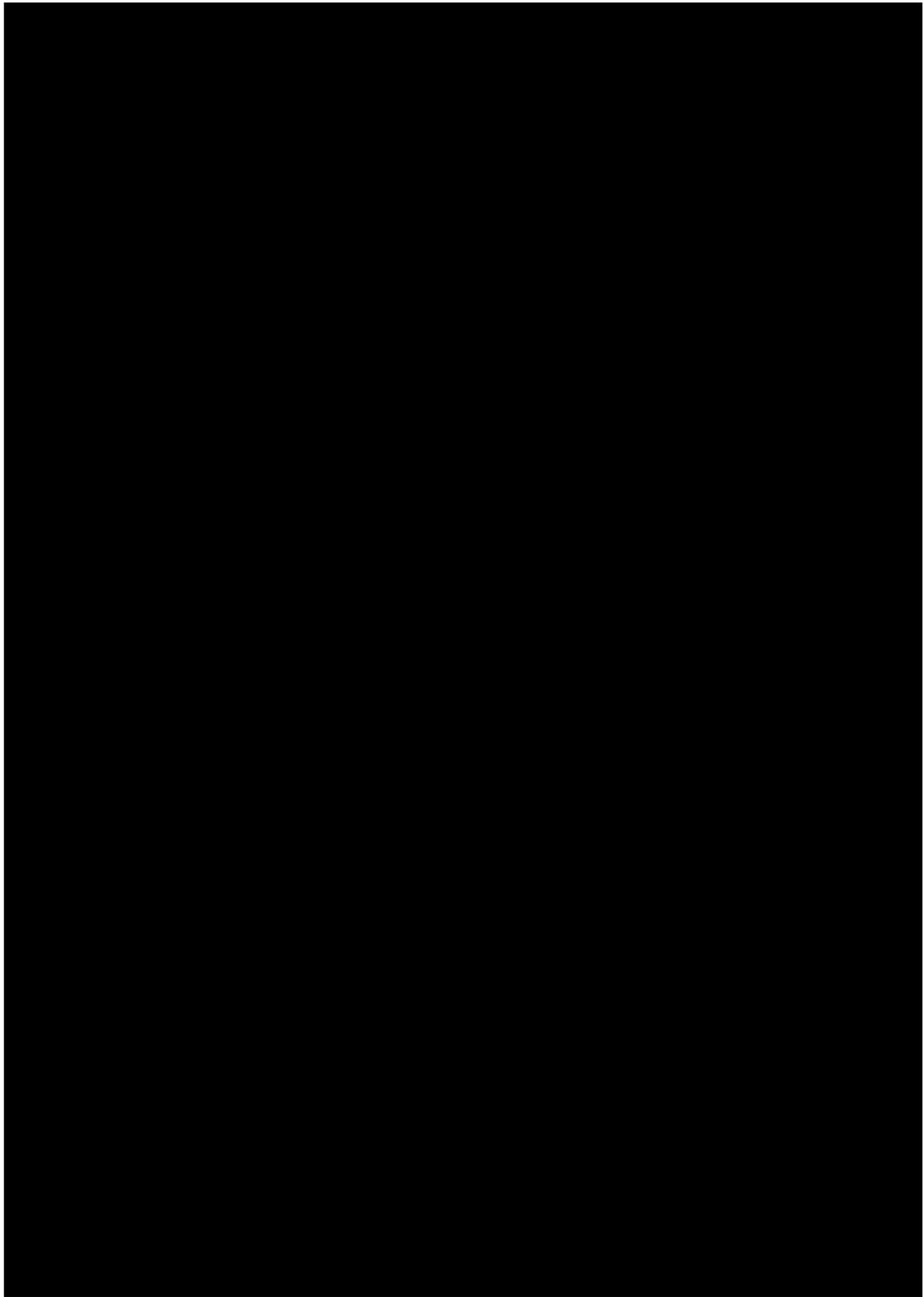
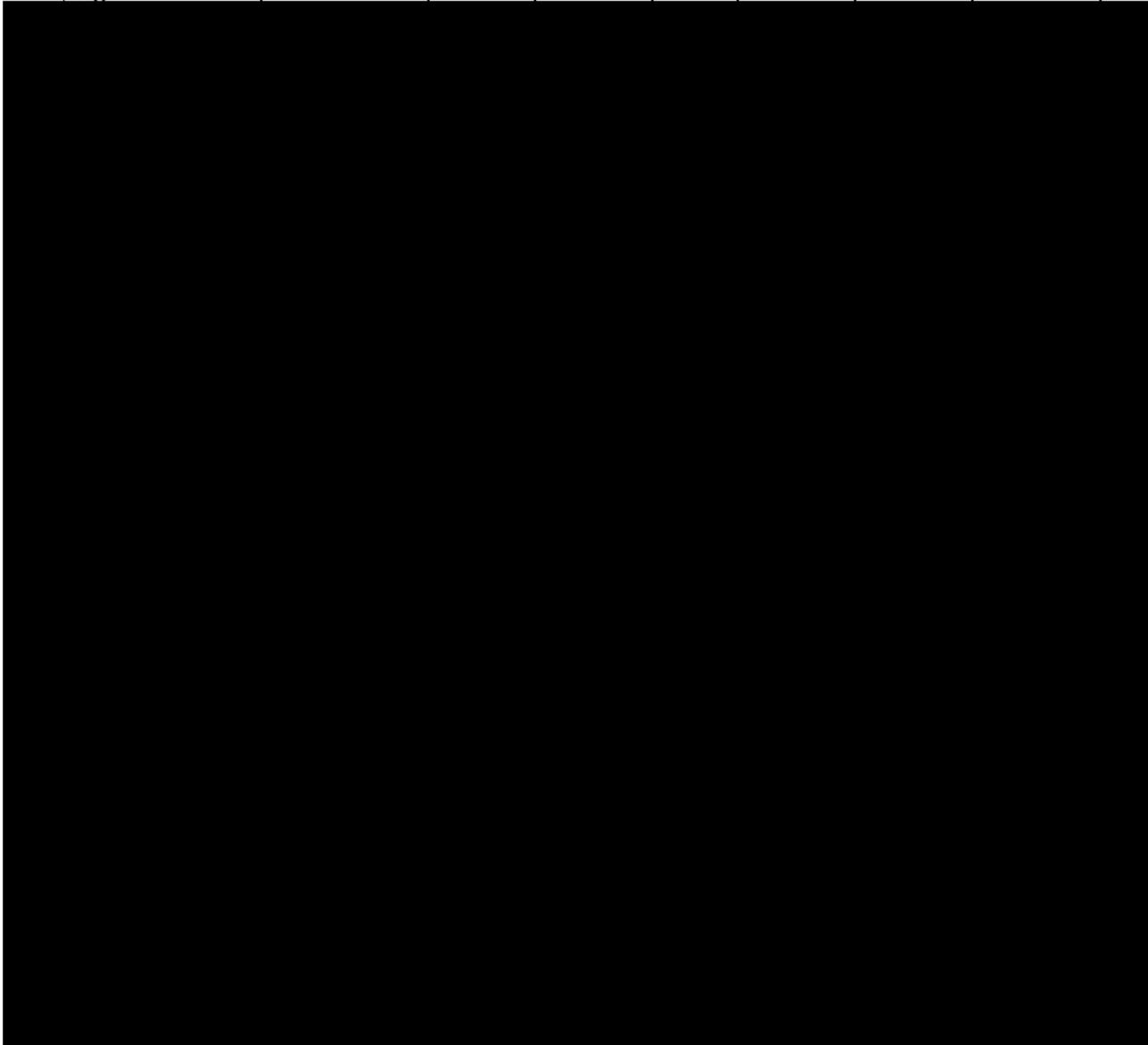




Table 7 provides a list of the long-term offers considered and evaluated by PG&E.

Table 7: Long-Term Offers

Counterparty	Project Name	Agreement	Payment Quantity (MW)	Term	COD	Contract Price (\$/kW-month)	NMV (\$/kW-month)
<i>Long-Term Offers</i>							





F. Factors Affecting Consideration/Selection of Options

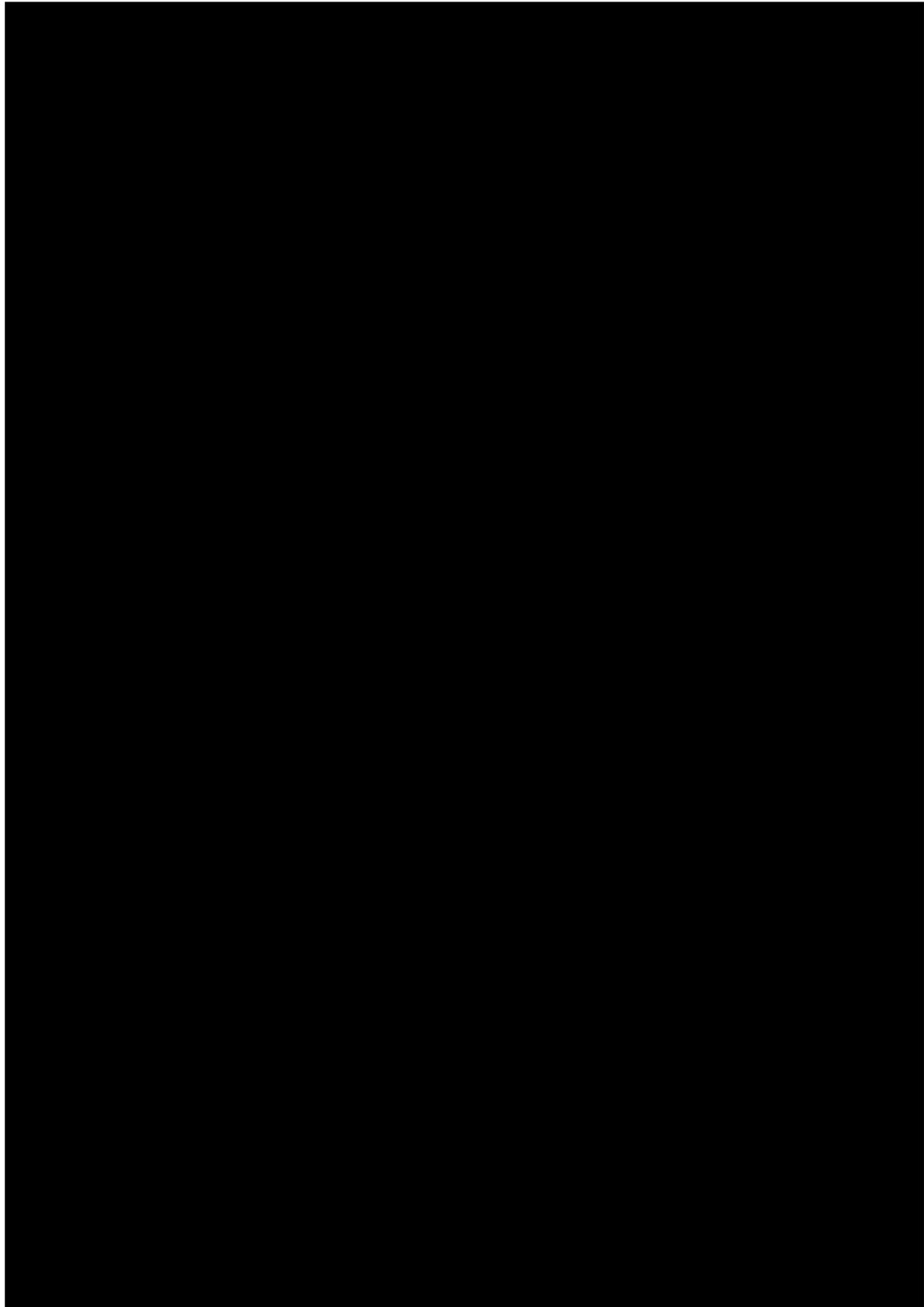
PG&E's decisions to pursue agreements with counterparties were driven by a number of factors including the following:

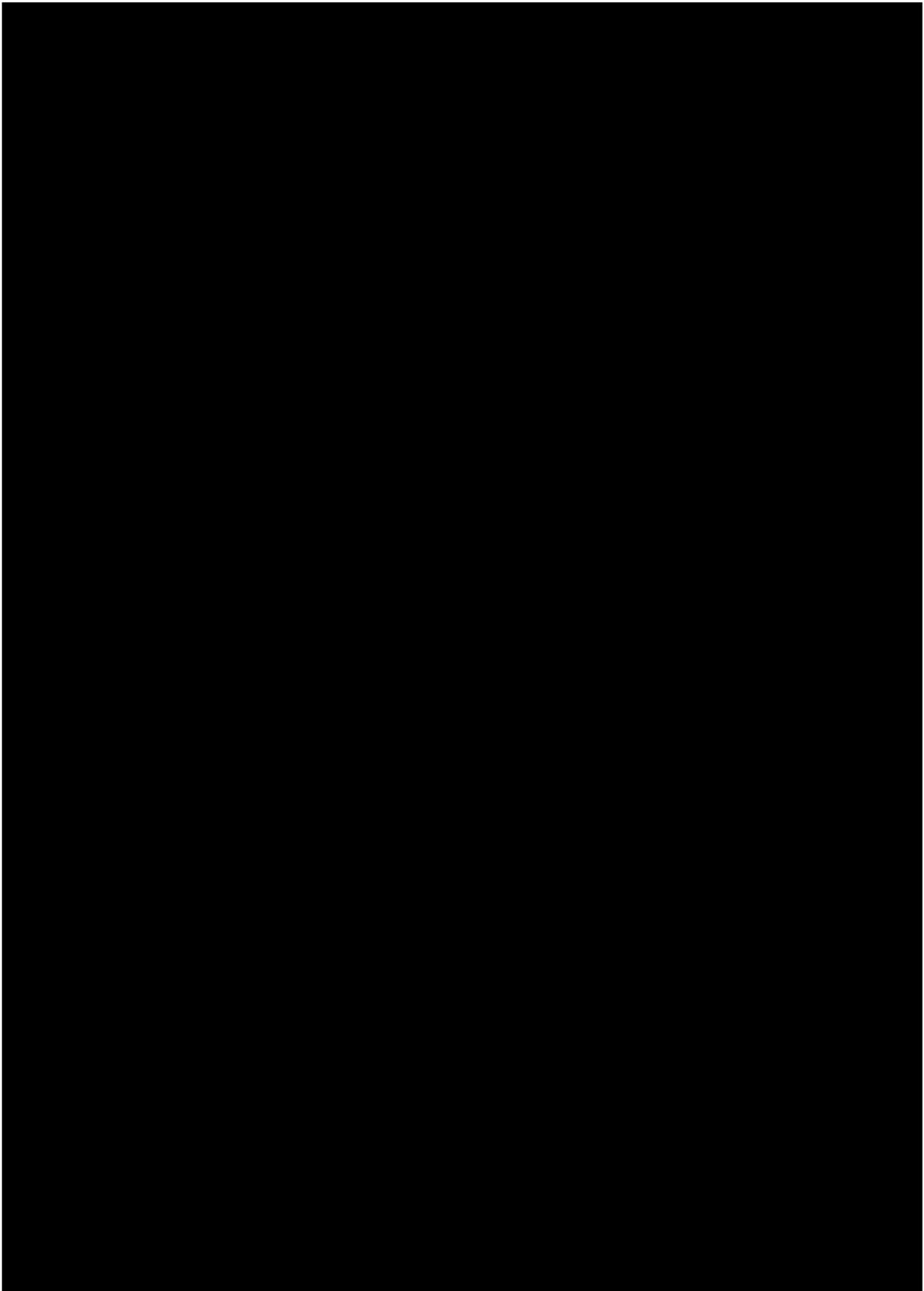


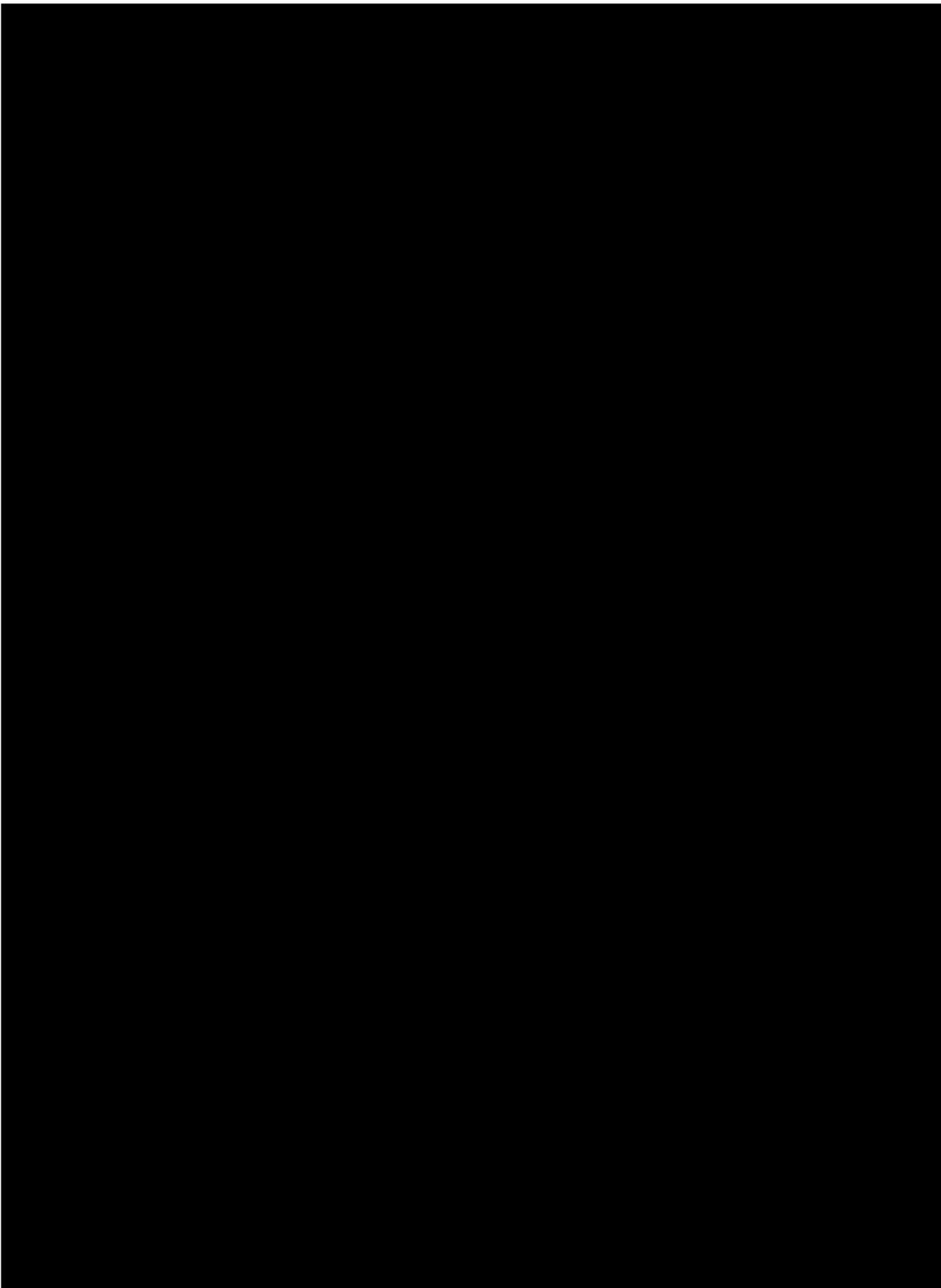
As noted, PG&E was focused on identifying offers which could provide product in the summer of 2021. This could include short-term offers for only 2021, short-term offers beginning in 2021 that extend one to five years, or long-term offers that are available beginning in summer 2021. All of the offers listed in Tables 6 and 7 above include the vast majority of the offers that meet the above requirement.²³ In addition, there were seven Firm Forward Imported Energy offers and one Imported RA offer for product in the summer of 2021. However, these offers were not initially conforming to the requirements of the Proposed Decision of the ALJ at the time PG&E was assessing its options in preparation for the presentation to the PRG on February 8, 2021.

Provided below is a description of the status of each of the above conforming offers for 2021 that were not selected or considered for execution based on communications between PG&E and the counterparties or assessment by PG&E and the IE.

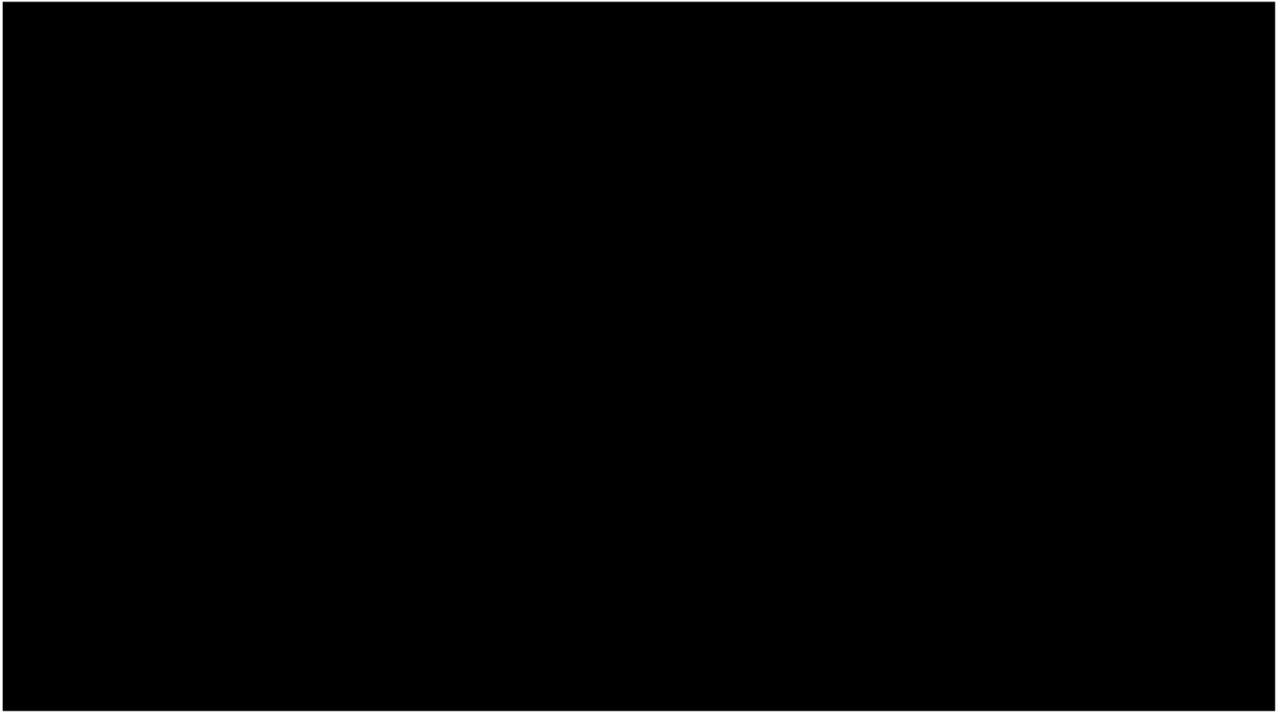
Short-Term and Mid-Term Offers



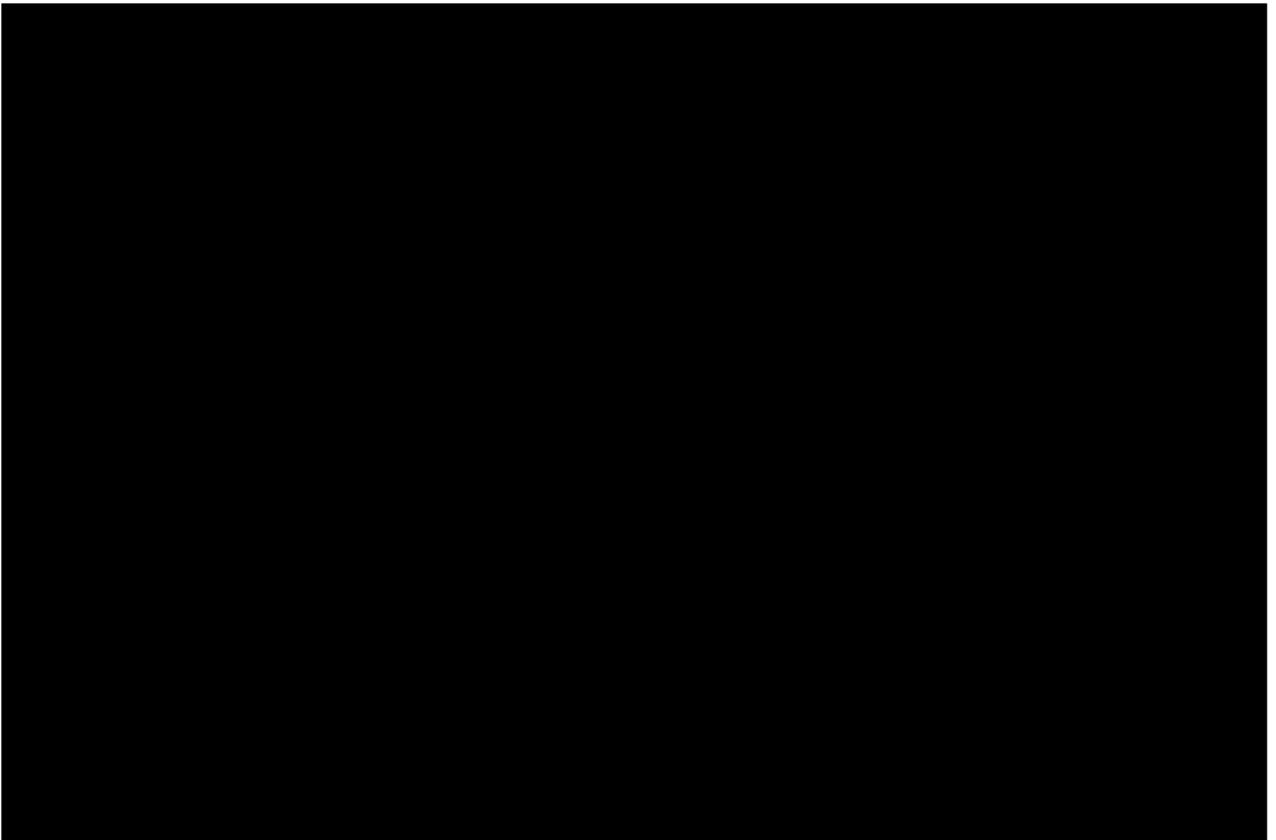


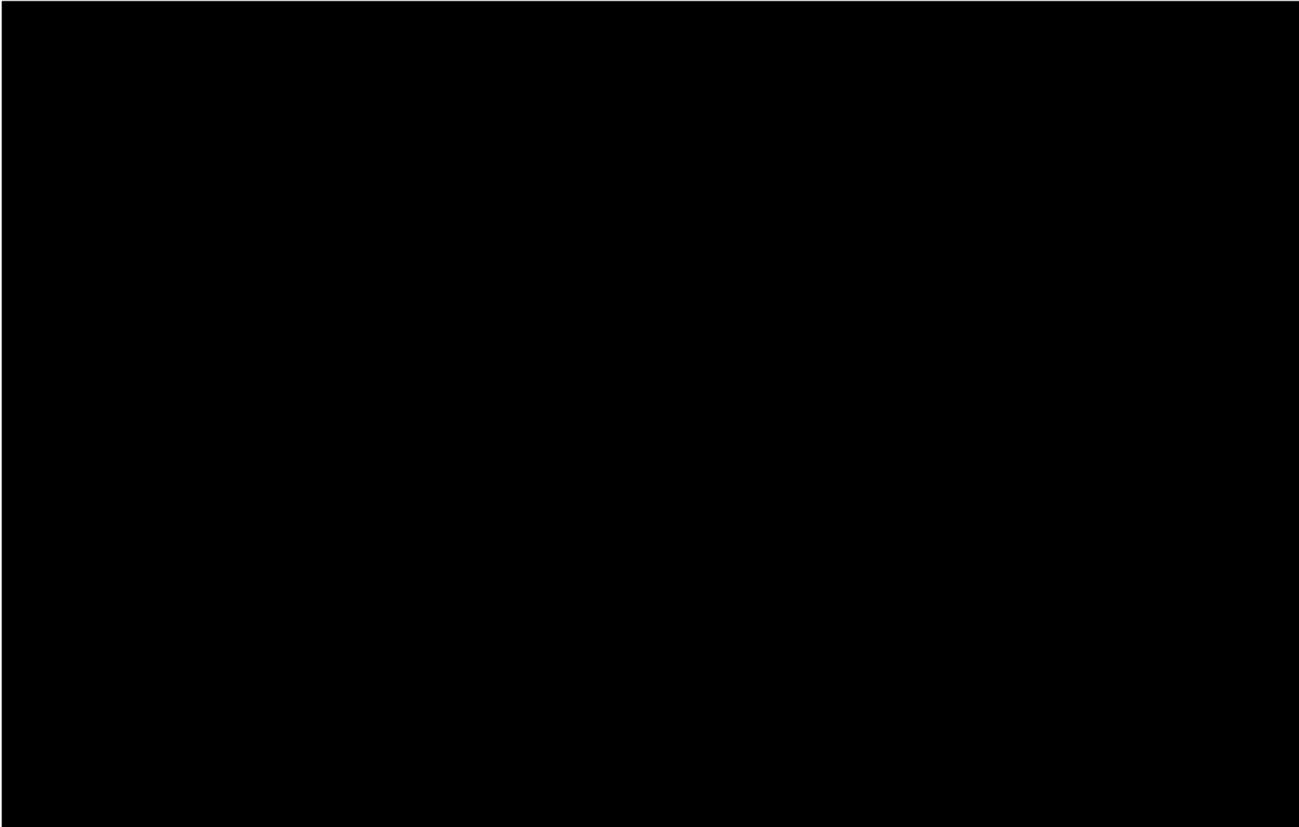


G. PRG/Cam Meeting- February 8, 2021



H. IE Comments on Offers Considered for Consideration

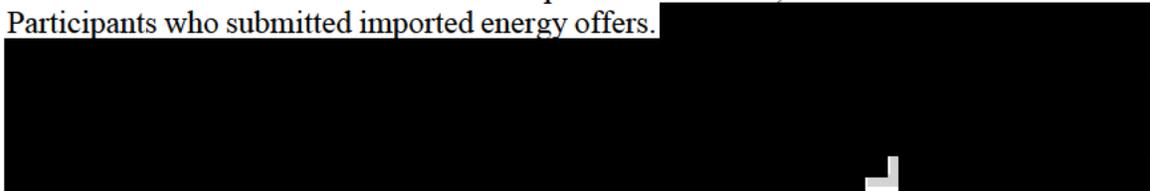




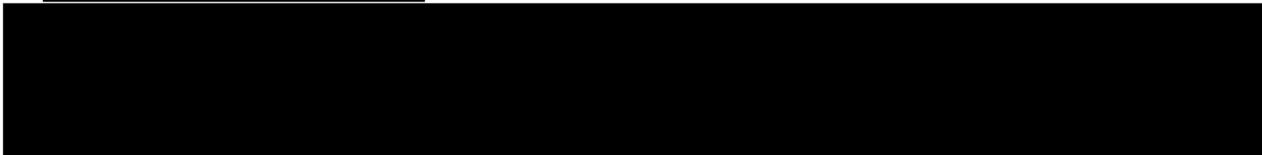
I. Evaluation of Firm Forward Imported Energy Offers

Immediately after the issuance of the CPUC’s Revised Proposed Decision on February 8, 2021 which reinstated Firm Forward Imported Energy as an eligible resource type for the Summer 2021 procurement process, PG&E began to review offers for Firm Forward Imported Energy submitted into the Summer 2021 procurement process. Since the Proposed Decision had removed Firm Forward Imported Energy as an eligible resource type, PG&E had directed many of the import energy offers to PG&E’s Balance of Year Solicitation. Immediately after the issuance of the Revised Proposed Decision, PG&E requested a refresh of the original offers submitted to the Summer 2021 Procurement process.

Given the short time available to complete transactions, PG&E reached out to all Participants who submitted imported energy offers.



PG&E focused on a 75 MW offer from TransAlta and a 175 MW offer from Calpine as those offers which it would pursue for an executed agreement.



For evaluation purposes, [REDACTED]

J. Contract Negotiations and Execution of Firm Forward Imported Energy Agreements

Table 8 provides a summary of the commercial terms of both the TransAlta and Calpine agreements [REDACTED]

Table 8: Summary of Commercial Provisions of Transactions

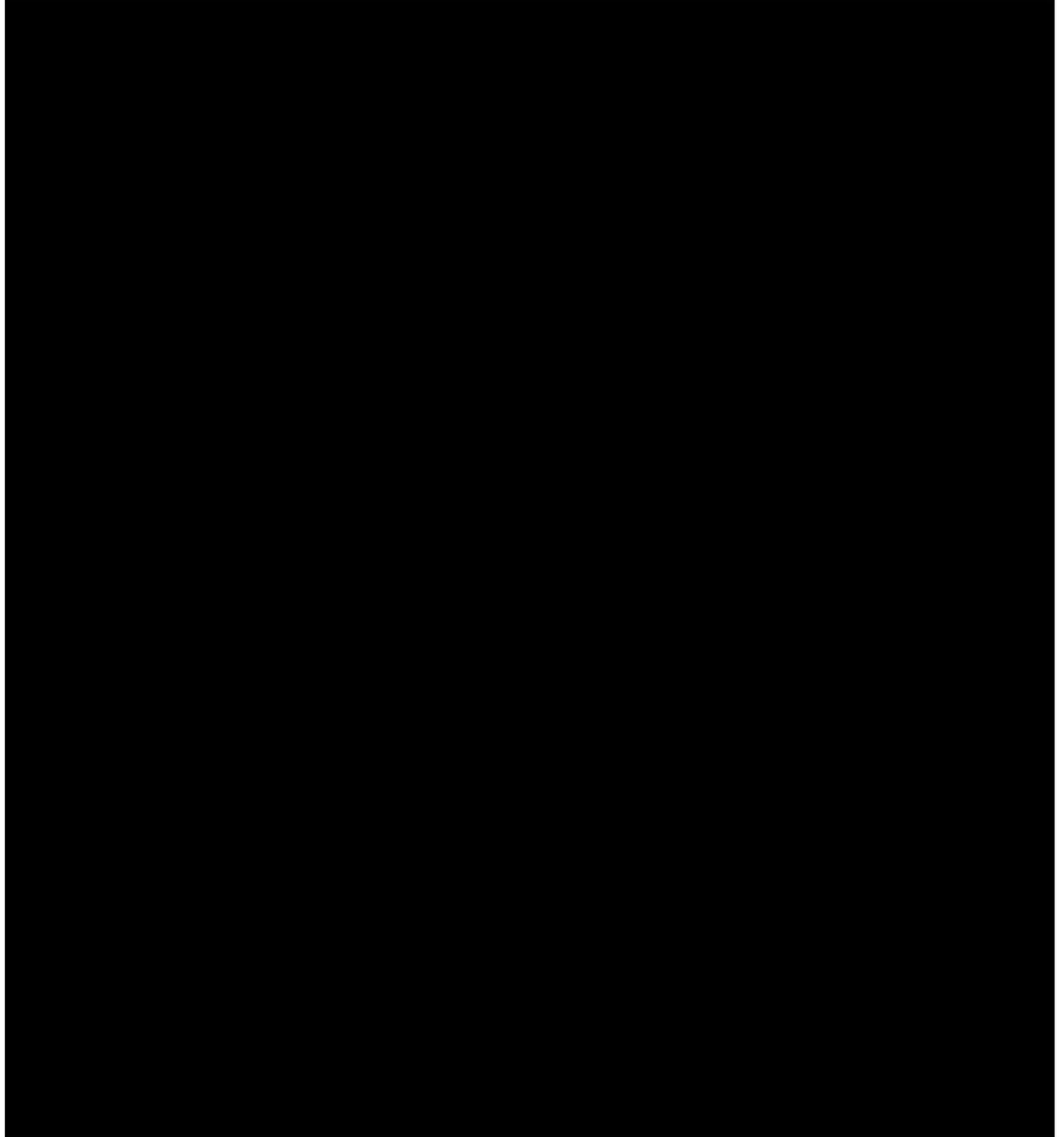
Contract Provisions	Calpine	TransAlta
Product	Firm Energy – WSPP Schedule C	Firm Energy – WSPP Schedule C
Contract Quantity	175 MW per hour	75 MW per hour
Total Quantity During Delivery Period	[REDACTED]	[REDACTED]
Contract Energy Price (\$/MWh)	[REDACTED]	[REDACTED]
Delivery Period	July 1, 2021 through September 30, 2021	July 1, 2021 through September 30, 2021
Delivery Hours	Mon-Sat HE 0700 – 2200 excluding NERC Holidays (6 x 16)	Mon-Sat HE 0700 – 2200 excluding NERC Holidays (6 x 16)
Delivery Point	California Oregon Border (COB N-S) intertie	California Oregon Border (COB) intertie

Both agreements also contained similar terms and conditions. Table 9 provides a summary of the key terms and conditions for each agreement.

Table 9: Summary of Key Confirmation Provisions

[REDACTED]

Contract Provisions	Calpine Confirmation Letter	TransAlta Physical Power Confirmation
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K. Final Agreements

PG&E has executed ten Letter Agreements for additional energy structured as call options which allow PG&E the ability to bring on up to 135.3 MW of additional energy when the CAISO notices PG&E of an emergency or a flex alert is issued. The Letter Agreements for

call options allow for additional energy to be provided in peak periods up to the interconnection limit of the project from existing QFs and RPS resources.

PG&E has also executed two Confirmation Agreements for Firm Forward Imported Energy with two counterparties totaling 250 MW per hour for the summer of 2021 (July 1, 2021 through September 30, 2021). All these transactions result in the procurement of 410 MW for the summer of 2021.

In addition, PG&E plans software enhancements at two utility-owned units, Gateway and Colusa. The software enhancements will allow for an increase in firing temperature which allows the resource to generate more MW.

Through these agreements, PG&E has executed contracts only for the peak summer period, without exposing customers to additional costs for longer-term contracts as the only way to secure more summer 2021 capacity. Furthermore, the reliability of these options should be high since all of the contracts are backed by existing resources. The revision to the Proposed Decision also served to enhance the opportunity to pursue Firm Forward Imported Energy contracts which provided significant firm energy additions to the resource mix for summer 2021.

VI. Did PG&E Fairly Administer the Evaluation Process?

A. Principles and Guidelines Used to Determine Fairness of Process

In evaluating PG&E's performance in implementing the Summer 2021 - 2022 Capacity Procurement process, the IE has applied a number of principles and factors, which incorporate those suggested by the Commission's Energy Division in previous Templates as well as additional principles that the IE has used in its oversight of other competitive bidding processes. These include:

- What quantitative factors were used to evaluate offers?
- If applicable, were affiliate offers treated the same as non-affiliate offers?
- Were economic evaluations consistent across offers?
- Was there a reasonable justification for any fixed parameters that enter into the methodology?
- Were all Participants treated the same regardless of the identity of the Participants?
- Were Participants questions answered fairly and consistently and the answers made available to all?

- Did the utility ask for “clarifications” from Participants, and what was the effect, if any, of these clarifications?

In the opinion of the IE, PG&E assessed all offers in a similar manner although the components of the evaluation methodology and elements of the contract negotiation process varied appropriately by resource type. As previously noted, PG&E used reasonable methodologies for assessing each type of offer.

The IE felt that the economic evaluations were consistent across all types of offers, with the objective of the evaluation to assess the benefits and costs of each offer based on Net Market Value.

PG&E’s project teams were very actively engaged in the process from the very beginning through final negotiations and execution. As IE, we found no cases where PG&E favored any specific resources or Participants over others. All offers and Participants were treated fairly and consistently with PG&E’s procurement framework.

VII. Treatment of Affiliate Bids and UOG Ownership Proposals

For this solicitation, third-party only agreements were expected. With the exception of software enhancements at two PG&E-owned units, PG&E did not include any contract options that envisioned utility ownership possibilities.

VIII. Conclusions and Observations

Merrimack Energy has the following observations regarding the Summer 2021 – 2022 Capacity Procurement process based on its role of IE in this process:

1. PG&E implemented the Summer 2021 – 2022 Capacity Procurement process consistent with the January 8, 2021 Proposed Decision of ALJ Stevens which required PG&E and the other IOUs to contract for capacity that is available to serve peak and net peak demand in the summer of 2021 subject to the following requirements: (a) the types of resources that may meet emergency reliability capacity needs for summer 2021 include incremental capacity from existing power plants through efficiency upgrades and revised power purchase agreements; contracting for generation that is at-risk of retirement; incremental energy storage capacity; and resource adequacy only contracts or contracts that include tolling agreements; (b) cost competitiveness is an important consideration in evaluating the approval of a new capacity contract. PG&E’s Procurement Framework for Emergency System Reliability Procurement is consistent with the above requirements from the Proposed Decision and the procurement process was implemented consistent with these directives. In addition, the revised Proposed Decision allowed PG&E to add Firm Forward Imported Energy contracts which significantly increased firm energy for the summer of 2021;

2. PG&E's overall strategy was to (1) prioritize short-term over medium term over long-term procurement; and (2) use reasonable price caps;
3. PG&E's Procurement Notification for Summer 2021 – 2022 capacity resulted in a robust response from the market, particularly given the short lead-time. PG&E received 113 offer variations, which represented 52 projects from 33 counterparties for a total of over 5,460 MW. Half of the projects submitted were for incremental stand-alone energy storage capacity, most of which proposed a 2022 COD date;
4. Of the 52 projects submitted, a total of 28 were for capacity with a COD date beginning in the summer of 2022. Twenty-four projects had a proposed COD date of summer 2021. Within that total, seven projects were offers for Firm Forward Imported Energy and one project was for imported RA. Firm Forward Imported Energy Contracts were not eligible resources initially in this procurement process;
5. PG&E's Notification regarding the procurement process was sent to PG&E's list of potential Participants of over 2,700 contacts, including all companies who participated in the System Reliability RFO – Phase 1 and Phase 2 processes;
6. From a pricing perspective, [REDACTED]
7. PG&E has identified price caps associated with the different term options submitted since the Proposed Decision requires that the procurement should be cost competitive with recently procured resources. While the IE provided some input into the appropriate price caps to consider, PG&E did make revisions to its long-term price cap consistent with the IE's recommendations;
8. While PG&E preferred to secure short-term capacity for 2021, many of the Participants preferred to secure longer-term contracts;
9. PG&E undertook a quantitative evaluation of the offers submitted consistent with the evaluation process used and identified in the 2020 System Reliability RFO – Phase 2 Solicitation Protocol. The quantitative evaluation provided a rank order of offers based on a Net Market Value ("NMV") evaluation metric [REDACTED]. The output files also included individual cost and benefit components for each offer on a leveled [REDACTED] basis as well as total Net Market Value based on leveled [REDACTED]
10. PG&E established a Procurement Framework for Emergency Procurement process that contained guiding principles (focus on system reliability and customer affordability), strategy for procurement, and procurement process [REDACTED]

[REDACTED] PG&E followed the Procurement Framework in assessing and considering options available;

11. The IE found no evidence of any preference toward any bidder, resource or type of project;
12. The IE concludes that the process was undertaken in a fair and equitable manner and all Participants were treated equally. The IE received no complaints or criticisms about the process;
13. PG&E's process resulted in executing agreements for up to 385.3 MW of firm energy agreements, all for summer 2021 and from existing resources. As a result, PG&E's procurement is consistent with the dual objectives of improving system reliability for summer 2021 and customer affordability by limiting procurement to the short-term summer 2021 period only without procuring longer-term resources at this time;
14. The IE recommends approval of all agreements executed by PG&E, including the ten Letter Agreements for summer 2021 (up to 135.3 MWs), the two Confirmations for Firm Forward Imported Energy for 250 MW, and the software enhancements at PG&E's Gateway and Colusa sites.

Independent Evaluator Report

Appendix A: Summary of Offers Submitted

(Confidential)

**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