

August 23, 2021

**Advice 6306-E**

(Pacific Gas and Electric Company U 39 E)

Public Utilities Commission of the State of California

**Subject: PG&E's Methodology for Resource Adequacy Capacity Pursuant to  
Decision 21-05-030**

**Purpose**

Pacific Gas and Electric Company (PG&E) submits this Tier 2 advice letter to the California Public Utilities Commission (Commission), pursuant to Ordering Paragraph (OP) 11 in Decision (D.) 21-05-030 (the Portfolio Optimization Decision), concerning PG&E's methodology for determining how much of its Power Charge Indifference Adjustment (PCIA)-eligible resource adequacy (RA) capacity is reserved in accordance with its Bundled Procurement Plan (BPP).<sup>1</sup>

**Background**

In Phase 1 of the PCIA Rulemaking (R.) 17-06-026, the Commission examined the PCIA methodology and considered alternatives to that methodology to ensure that bundled service customer indifference to departing load is maintained. Among other things, D.18-10-019 adopted an annual true-up to the recorded costs of the PCIA-eligible portfolio, a modification to administratively set market price benchmarks for calculating the investor-owned utilities' (IOU) above-market costs of the PCIA-eligible portfolio, and associated modifications to ratemaking in the IOUs' tariffs, and opened a second phase of the proceeding with a working group process. To date, the working group process resulted in four decisions addressing three specific topic areas: (1) the market price benchmarks, (2) a voluntary PCIA prepayment option, and (3) portfolio optimization and cost reduction. The Portfolio Optimization Decision, issued on May 24, 2021, resolved the working group recommendations concerning portfolio optimization issues.

The Portfolio Optimization Decision requires each IOU to submit a Tier 2 advice letter to "...justify its methodology for determining how much of its PCIA-eligible RA is reserved

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<sup>1</sup> D.21-05-030, OP 11; See also, Conclusion of Law (COL) 19.

as part of the IOU's Bundled Portfolio Plan" to address the transparency concerns raised in the PCIA proceeding.<sup>2</sup>

Section I provides background information on the Commission's RA requirements and the California Independent System Operator Corporation's (CAISO) Reliability Requirements and Section II describes PG&E's methodology for determining how much of its portfolio is reserved as part of its BPP to meet these regulatory requirements.

## **I. California's Resource Adequacy Requirements**

### **A. Commission's RA Program**

The Commission's RA program was developed in response to the 2000-2001 California energy crisis and is designed to ensure reliable electric service in California by requiring all Commission-jurisdictional load serving entities (LSE) to have sufficient capacity to meet electric grid reliability needs. The Commission's RA program contains three distinct requirements: (1) System RA requirements, (2) Local RA requirements, and (3) Flexible RA requirements.<sup>3</sup>

- System RA requirements are determined based on each LSE's California Energy Commission (CEC) adjusted load forecast plus a 15 percent planning reserve margin.
- Local RA requirements are based on an annual CAISO study using a 1-in-10 weather year and an N-1-1 contingency.
- Flexible RA requirements are based on an annual CAISO study that analyzes the largest three-hour ramp for each month needed to run the system reliably.

There are two types of filings used to comply with the Commission's RA program: (1) annual filings (filed annually on October 31 prior to the compliance year) and (2) monthly filings (filed 45 days prior to the compliance month). The Commission sets the annual and monthly System, Local, and Flexible RA requirements for Commission-jurisdictional LSEs based on inputs from the CEC and CAISO and each LSE's respective CEC adjusted load forecast.<sup>4</sup>

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<sup>2</sup> D.21-05-030, OP 11; See Discussion, p. 44.

<sup>3</sup> See D.20-06-002, p. 26 (adopting a hybrid central procurement framework for Local RA beginning with the 2023 RA compliance year for the PG&E and Southern California Edison Company distribution service territories).

<sup>4</sup> The Commission's RA program requires LSEs to make annual System, Local, and Flexible RA compliance showings for the upcoming year. For the System showing, LSEs must demonstrate sufficient capacity for at least 90 percent of their System RA obligation for the six summer months from May through October. For the multi-year Local showing, LSEs must demonstrate sufficient capacity for 100 percent of their Local RA obligation for all 12 months for years 1 and 2 and 50 percent of their Local RA obligation for all 12 months for year 3. LSEs are also required to demonstrate sufficient capacity for at least 90 percent of their Flexible RA

## B. CAISO's Reliability Requirements

In addition to the requirements set forth by the Commission, the CAISO includes RA provisions in its Tariff. Working in conjunction with the RA requirements adopted by the Commission and other provisions of California law applicable to non-Commission-jurisdictional LSEs, the RA provisions in the CAISO Tariff are intended to establish a process that ensures capacity is available when and where it is needed to reliably operate the CAISO grid. Accordingly, the CAISO tracks how each LSE is complying with its RA requirements. If an LSE does not meet its specific requirements, the CAISO may allocate costs of CAISO backstop procurement to the deficient LSE. The CAISO also enforces non-availability charges on resources that do not perform consistent with CAISO's Tariff.<sup>5</sup>

## II. PG&E's Available RA Capacity to Meet California's RA Program Requirements

The Commission's RA program contains three distinct requirements: (1) System RA requirements, (2) Local RA requirements, and (3) Flexible RA requirements. In meeting its RA compliance requirements, a resource within PG&E's supply portfolio can be used to meet one or a combination of the three distinct requirements. In other words, these overlapping rules and RA requirements make it necessary for PG&E to manage multiple RA requirements which could result in PG&E's supply portfolio, for example, having an aggregate of Flexible RA capacity that is higher than (in excess of) PG&E's Flexible RA requirements while meeting PG&E's System RA requirements with no available excess RA capacity. Available RA capacity that is reserved to meet PG&E's RA compliance requirements established in Public Utilities Code Section 380 and implemented by the Commission's RA program and respective CAISO Tariff provisions are primarily driven by the following factors: (i) eligible RA capacity (as published on the CAISO's net qualifying capacity (NQC) and effective flexible capacity (EFC) lists); (ii) LSE-specific RA requirements; (iii) portfolio uncertainties; and (iv) expected outages for resources. Each of these factors are described in more detail below, while PG&E's full methodology can be found in Appendix S of its BPP.

### A. Eligible RA Capacity

Each year, the Commission's Energy Division works with CAISO to publish the NQC list, which determines the amount of capacity that each resource can count toward meeting an LSE's RA compliance requirements. The Commission determines and adopts a methodology for calculating a resource's Qualifying Capacity (QC) through the

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obligation for all 12 months. For the monthly filings, LSEs must demonstrate sufficient capacity for 100 percent of their monthly System and Flexible RA obligation. LSEs must also demonstrate sufficient capacity for 100 percent of their revised (due to intra-year load migration) Local RA obligation.

<sup>5</sup> CAISO Tariff Section 40.9.

Commission's stakeholder process.<sup>6</sup> CAISO is then responsible for performing a deliverability study to determine how much of each resource's QC is deliverable to the aggregate CAISO load. The result of the deliverability study is a *Net* QC (also known as NQC) for each resource. If a resource is capable of providing Flexible RA capacity, it also receives an EFC value based on its NQC and operational ramping rate.<sup>7</sup> CAISO publishes the draft NQC and EFC lists around August of every year and scheduling coordinators such as PG&E have an opportunity to provide comments on their resources' NQCs and EFCs prior to CAISO publishing the final NQC and EFC lists.

PG&E uses the applicable NQC and EFC for each resource from the most recent lists published by the Commission and CAISO. PG&E notes that the CAISO publishes the official NQC and EFC list for each resource around September/October of every year to be used for the upcoming year. This means that PG&E does not have a fixed and certain total amount of available RA capacity in its supply portfolio until the month of October preceding the compliance year.

#### B. RA Requirements

The amount of RA capacity reserved for PG&E's compliance obligations is based on the Commission's initial year-ahead allocation and final year-ahead allocation. This is the amount of RA capacity that PG&E is required to demonstrate it has procured in its role as a Commission-jurisdictional LSE to meet electric grid reliability needs. Within the RA compliance year, PG&E's allocation may be adjusted by the Commission to account for intra-year load migration occurring among LSEs since the final year-ahead allocation has been issued.<sup>8</sup>

If PG&E is unable to demonstrate sufficient capacity to meet its RA compliance requirements (e.g., what is allocated by the Commission), PG&E will be non-compliant and assessed compliance penalties by the Commission.<sup>9</sup> Moreover, PG&E may be subject to additional costs associated with CAISO's backstop procurement for being deficient in meeting its RA compliance requirements. Accordingly, PG&E uses the most recent allocation from the Commission and forecasts monthly load migration adjustments as part of its methodology to determine how much of its portfolio is reserved as part of its BPP.

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<sup>6</sup> See the Commission's 2020 Qualifying Capacity Methodology Manual; linked at <https://www.cpuc.ca.gov/-/media/cpuc-website/files/legacyfiles/q/6442466773-qc-manual-2020.pdf>.

<sup>7</sup> CAISO Tariff Section 40.10.4.1.

<sup>8</sup> 2021 Filing Guide for System, Local, and Flexible RA Compliance Filings, pp. 28-29.

<sup>9</sup> *Id.*, pp. 41-42.

### C. Portfolio Uncertainties

PG&E accounts for future uncertainties affecting its RA capacity through portfolio adjustments to ensure PG&E meets its RA compliance requirements. Additional details on these uncertainties can be found in Confidential Appendix A.

### D. Outages

PG&E reserves certain quantities of RA capacity to minimize substitution capacity costs and CAISO compliance risk associated with RA resources on outage. The CAISO Tariff requires scheduling coordinators such as PG&E to provide substitution capacity of equivalent volume for RA resources on outage in accordance with CAISO's RA Substitution Capacity (RASC) process and timeline.<sup>10</sup> In the event that scheduling coordinators are unable to provide substitution capacity, CAISO will cancel the planned outage. As a result, the resource may be unable to perform its scheduled maintenance or service and risk future availability. In addition, the CAISO may exercise its backstop procurement authority under its capacity procurement mechanism (CPM) to cure a system RA deficiency. Costs associated with CPM are typically higher than alternative resources.

### E. Summary of PG&E's Methodology for Reserving RA Capacity

In summary, the total amount of RA capacity that is reserved by PG&E as part of its BPP to meet the Commission's and CAISO's regulatory requirements in accordance with California's RA program reflects a combination of PG&E's: (b) RA Requirements; (c) Portfolio Uncertainties; and (d) CAISO's RA Outage Substitution Capacity Requirements (collectively, Reservation Amount) as detailed above. Each month's total (a) Eligible RA Capacity from PG&E's supply portfolio is then reduced by the Reservation Amount. Any remaining amount (e.g., in excess of), as calculated at the time of a solicitation, is made available for sale to the RA market and any amount resulting in a shortfall is procured by PG&E.

## **III. Additional Considerations to Meet California's RA Program Requirements**

Working in conjunction with the current RA compliance period timelines, PG&E makes all excess capacity available for sale to the RA market. At the current time, PG&E does not offer RA capacity for sale to the RA market beyond the current RA compliance period due to existing regulatory uncertainty. For example, in 2020, Direct Access (DA) was expected to reopen, which would have significantly affected PG&E's forecasted load in outer years and reduce PG&E's expected RA compliance requirement. However, the DA cap was left unchanged at this time, and the forecasted load departure associated with DA reopening will no longer occur. In addition, the recent decertification of multiple LSEs

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<sup>10</sup> See CAISO's Business Practice Manual for Reliability Requirements Version 60 Section 9.2.2.

have demonstrated PG&E's risk with selling capacity in outer years and having to procure RA capacity in the short-term. Moreover, the Commission is exploring broader RA reform in Track 3B.2 of the current RA proceeding. These broader RA reform changes are expected to change the fundamental foundation of the RA program and could place significant compliance risk for PG&E should PG&E sell RA capacity beyond the current compliance period timelines.

#### **IV. Confidentiality Treatment**

In support of this advice letter, PG&E has provided the confidential information in Appendix A. This information is being submitted in the manner directed by D.08-04-023 to invoke the protection of confidential utility information provided under Public Utilities Code section 454.5(g) or the IOU 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.

#### **Protests**

**\*\*\*Due to the COVID-19 pandemic, 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](mailto:EDTariffUnit@cpuc.ca.gov) and [PGETariffs@pge.com](mailto:PGETariffs@pge.com)\*\*\***

Anyone wishing to protest this submittal may do so by letter sent via U.S. mail, facsimile or E-mail, no later than **September 13, 2021**, which is 21 days after the date of this submittal.<sup>11</sup> 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](mailto:EDTariffUnit@cpuc.ca.gov)

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

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<sup>11</sup> PG&E requests to extend the protest period by one additional day because twenty days following submission of this advice letter is Sunday, September 12, 2021.

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:

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

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

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

### **Effective Date**

PG&E requests that this Tier 2 advice letter become effective on **September 22, 2021**, which is 30 days after the date this advice letter was submitted with the Commission.

### **Notice**

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list and the parties on the service list for **R.17-06-026** and **R.19-11-009**. Address changes to the General Order 96-B service list should be directed to PG&E at email address PGETariffs@pge.com. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at Process\_Office@cpuc.ca.gov. Send all electronic approvals to PGETariffs@pge.com. Advice letter submittals can also be accessed electronically at: <http://www.pge.com/tariffs/>.

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/S/

Sidney Bob Dietz II  
Director, Regulatory Relations

Attachments

Declaration of Robert Gomez Seeking Confidential Treatment

Confidential Appendix A: Information Supporting Future Uncertainties Affecting  
PG&E's Resource Adequacy Portfolio

cc: Service List for R.17-06-026 and R.19-11-009



# ADVICE LETTER SUMMARY

## ENERGY UTILITY



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

Company name/CPUC Utility No.: Pacific Gas and Electric Company (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) #: 6306-E

Tier Designation: 2

Subject of AL: PG&E's Methodology for Resource Adequacy Capacity Pursuant to Decision 21-05-030

Keywords (choose from CPUC listing): Compliance

AL Type:  Monthly  Quarterly  Annual  One-Time  Other:

If AL submitted in compliance with a Commission order, indicate relevant Decision/Resolution #: D.21-05-030

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL: N/A

Confidential treatment requested?  Yes  No

If yes, specification of confidential information: See confidential declaration and matrix.  
 Confidential information will be made available to appropriate parties who execute a nondisclosure agreement. Name and contact information to request nondisclosure agreement/ access to confidential information: Robert Gomez, RSGa@pge.com, 415-973-8681.

Resolution required?  Yes  No

Requested effective date: 9/22/21

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 proposed<sup>1</sup>: N/A

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

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

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

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

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

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

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

**PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)**

**DECLARATION OF ROBERT GOMEZ SEEKING CONFIDENTIAL TREATMENT  
FOR CERTAIN DATA AND INFORMATION  
CONTAINED IN PG&E'S ADVICE LETTER 6306-E**

I, Robert Gomez, declare:

1. I am a Manager in the Portfolio Management department within the Energy Policy and Procurement organization at Pacific Gas and Electric Company (PG&E). In this position, my responsibilities include overseeing commercial planning activities, including position management at PG&E. 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 Decision (D.) 06-06-066 (affirmed in 16-08-024), D.08-04-023, D.14-10-033, and relevant Commission rules, I make this declaration seeking confidential treatment for Advice Letter 6306-E which provides an information-only update as directed in D.21-05-030 on the current status of PG&E's bundled electric energy portfolio and actions consistent with PG&E's Conformed Bundled Procurement Plan.

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 data and information covered by Public Utilities Code Section 454.5(g), which would reveal market sensitive information. The matrix also specifies why confidential protection is justified. Finally, the matrix specifies that: (1) the information is not already public; and (2) the data 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 August 23, 2021 at San Francisco, California.

/s/

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ROBERT GOMEZ

**PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)**  
**ADVICE LETTER 6306-E**  
**AUGUST 23, 2021**

**IDENTIFICATION OF CONFIDENTIAL INFORMATION**

| <b>Redaction Reference</b>  | <b>Category from D.06-06-066, Appendix 1, or Separate Confidentiality Order That Data Corresponds To</b> | <b>Justification for Confidential Treatment</b>  | <b>Length of Time Data To Be Kept Confidential</b> |
|---|--|--|--|
| Confidential Appendix A – Additional Detail Regarding Portfolio Uncertainties | Pub. Util. Code § 454.5(g)   | This information includes material pertaining to PG&E’s confidential sales framework. Any discussion of PG&E’s sales strategies is market sensitive because it will impact market participants’ bidding behavior for market products. Disclosure of this information could cause harm to PG&E’s customers and put PG&E at an unfair business disadvantage through non-competitive sales results. | Indefinite   |

## **Appendix A**

**Information Supporting Future Uncertainties  
Affecting PG&E's Resource Adequacy Portfolio**

**(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

OnGrid Solar  
Pacific Gas and Electric Company  
Peninsula Clean Energy

Pioneer Community Energy

Public Advocates Office

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