

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE



October 21, 2021

Advice Letter 6323-E

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, CA 94177

SUBJECT: Procurement for Summers 2022 and 2023 Under Decision 21-02-028 and Decision 21-03-056

Dear Mr. Dietz,

Advice Letter (AL) 6323-E (Procurement for Summers 2022 and 2023 Under Decision 21-02-028 and Decision 21-03-056) is approved, effective September 20, 2021, for the reasons described below.

Background:

Decision (D.) 21-02-028 required the investor-owned utilities (IOUs) to procure capacity that will be available during peak and net peak periods over the summer of 2021. 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 were directed to submit agreements 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

In order to prepare for potential extreme weather events in the summers of 2021 and 2022, D.21-03-056 authorizes the IOUs to continue the procurement efforts directed in D.21-02-028 and to endeavor to meet and exceed their respective incremental procurement targets to achieve an effective 17.5 percent planning reserve margin (PRM) for the months of system reliability concern.⁴ The decision directs the IOUs to submit all contracts to Energy Division via a Tier 1 Advice Letter on a continuing basis, except for contracts for incremental gas generation of five years or more and incremental imports, which shall be submitted via a Tier 3 Advice Letter. The

¹ D.21-02-028 at p. 11.

² *Ibid.* at p. 12.

³ *Ibid.* at p. 11.

⁴ D.21-03-056 at Ordering Paragraph 14.

net costs associated with this procurement shall be passed through to all benefiting customers consistent with the existing CAM.⁵

PG&E filed AL 6088-E on February 16, 2021, requesting approval of ten revised power purchase agreements (PPA), nine of which, including the PPA with the Tesoro Martinez Cogeneration facility, were “Letter Agreements for Additional Energy” from various cogeneration and biomass facilities. The Letter Agreements are non-standard products that “provide PG&E with the ability to receive incremental energy during a California Independent System Operator (CAISO) system emergency or Flex Alert at an established fixed price.”⁶ Counterparties will achieve additional energy availability through “a combination of 1) the reduction of host load (for Combined Heat and Power resources) or 2) increased output above what would otherwise be scheduled or contractually allowed.”⁷ Energy Division approved AL 6088-E.

On September 10, 2021 PG&E filed AL 6322-E requesting approval of an amendment of the agreement with the Tesoro Martinez facility to provide additional capacity for the balance of September and October 2021. Energy Division approved AL 6322-E.

PG&E filed AL 6323-E on September 15, 2021, requesting extension of the agreement with Tesoro Refining & Marketing Company LLC for its Martinez Cogeneration facility for an additional 18 months from its current term end date of April 30, 2022, to October 31, 2023. To support grid reliability during the most critical hours of the day the amendment aligns the Time of Delivery capacity payment allocation factors to the CAISO’s Resource Adequacy Availability Incentive Mechanism (RAAIM) Availability Assessment Hours (AAH) of 4 pm to 9 pm.

PG&E requests CAM treatment for the amendment and associated costs through October 31, 2023. PG&E states that costs will be recovered through PG&E’s New System Generation Charge (NSGC) and recorded to PG&E’s New System Generation Balancing Account (NSGBA).

Protests, Responses, and Replies:

The California Community Choice Association (CalCCA), timely protested AL 6323-E on October 5, 2021.

CalCCA asserts that CAM cost recovery for the contract amendment should be denied for the year 2023 since although the Commission allowed for procurement of contracts with durations that would extend beyond 2022, the 17.5 percent target would not extend beyond 2022. CalCCA states that it is unclear how costs should be allocated for contracts executed to meet D.21-03-056 that extend beyond 2022 and that this should be considered within R.20-11-003, not through an advice letter.⁸

⁵ *Ibid.*

⁶ AL 6088-E at p. 3.

⁷ *Ibid.* at p. 6.

⁸ CalCCA Protest at p. 2-3.

Sidney Bob Dietz, II

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PG&E timely replied to the protest of CalCCA on October 12, 2021. PG&E responds that CAM cost recovery through October 2023 is appropriate since the Commission directed the IOUs to procure on behalf of all customers in their service territories and that while the Commission expressed a preference for shorter duration contracts, it did not limit or prohibit longer-term contracts. Based on that guidance, PG&E states that it would be unreasonable for the Commission to encourage the IOUs to enter into such agreements for the benefit of all customers in its service territory without providing for corresponding CAM cost recovery. Additionally, PG&E states that limiting CAM cost recovery to 2022 would be inconsistent with the treatment of resources in AL 6289-E.⁹

Discussion:

CalCCA's protest attempts to relitigate D.21-02-028 and D.21-03-056. The Commission directed the IOUs to continue procurement efforts to meet or exceed the effective 17.5% PRM with costs to be recovered through CAM. As the Commission expressly indicated that procurement would be eligible for CAM treatment, CalCCA'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 has reviewed AL 6323-E and its confidential appendices. The Energy Division finds that Advice Letter 6323-E meets the requirements of D.21-02-028 and D.21-03-056.

Disposition:

Energy Division hereby approves Pacific Gas and Electric Company's AL 6323-E.

Sincerely,

Handwritten signature of Edward Randolph in cursive, with "(f01)" written in parentheses to the right.

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

cc: R.20-11-003, R.19-11-009, R.20-05-003, PGETariffs@pge.com, evelyn@cal-cca.org

⁹ PG&E Reply to Protest. at p. 1-2.

September 15, 2021

Advice 6323-E

Pacific Gas and Electric Company (U 39 E)

Public Utilities Commission of the State of California

Subject: Procurement for Summers 2022 and 2023 Under Decision 21-02-028 and Decision 21-03-056

I. Purpose

Consistent with the guidance provided in Decision (D.) 21-02-028 and pursuant to D.21-03-056 Ordering Paragraph (OP) 14, dated March 26, 2021, Pacific Gas and Electric Company (PG&E) respectfully submits this Tier 1 advice letter seeking the California Public Utilities Commission's (Commission or CPUC) approval of an amendment to extend an existing agreement set to expire on April 30, 2022, by 18 months and to enable the provision of additional energy and capacity through summers 2022 and 2023. The amendment is summarized in Section IV of this advice letter.

PG&E filed a separate Tier 1 advice letter wherein it requested approval of an amendment to the underlying agreement for additional energy deliveries for the balance of September and the month of October 2021. PG&E filed this amendment separately in Advice Letter 6322-E to facilitate the expeditious approval of that amendment for immediate additional energy deliveries.

II. Background

On December 28, 2020, an Assigned Commissioner's Ruling (ACR) was issued that directed the investor-owned utilities (IOUs) to immediately seek contracts for incremental capacity, available for peak and net peak in the summers of 2021 and 2022. On February 11, 2021, the Commission subsequently issued D.21-02-028 directing the investor-owned utilities (IOUs) to seek contracts for additional power capacity for summer 2021 reliability and submit those contracts for consideration before the Commission via advice letters of various tiers. On March 26, 2021, the Commission issued D.21-03-056 directing the IOUs to take action to prepare for potential extreme weather events in the summers of 2021 and 2022.

OP 14 in D.21-03-056 authorizes the IOUs to continue their procurement efforts and endeavor to meet and exceed their respective incremental procurement targets to achieve an effective 17.5 percent planning reserve margin (PRM) for the months of system reliability concern. OP 14 states that all procurement contracts shall be submitted to Energy Division via a Tier 1 advice letter on a continuing basis, except for contracts for incremental gas generation of five years or more, which require a Tier 3 advice letter, and incremental imports.

Increasing the PRM from 15 percent to an effective 17.5 percent results in a minimum incremental procurement target of 450 megawatts (MW) for PG&E.¹

III. Overview of Procurement

A. Procurement - Structure and Process

Following the December 28, 2020 ACR, PG&E issued the first of several market notices² on December 29, 2020, and ultimately submitted the results of a resulting first phase of procurement for 2021 on February 16, 2021, in Advice Letters 6088-E and 6089-E. PG&E then issued a market notice on February 16, 2021, following guidance in D.21-02-028, asking Market Participants to provide offers by February 23, 2021, for incremental capacity for summer 2022 consistent with the parameters in D.21-02-028.

On February 24, 2021, PG&E began evaluating submitted offers for execution according to its offer selection process and consistent with the parameters in D.21-02-028, including the procurement of additional capacity and/or energy through: (1) short-term agreements for energy; (2) incremental capacity from existing (utility-owned) power plants through efficiency upgrades; (3) firm import energy agreements; (4) existing portfolio capacity in excess of bundled service needs and net of sales; and (5) demand-side solutions.

On August 6, 2021, PG&E submitted Advice Letter 6289-E seeking approval of four (4) long-term agreements executed strategically to meet the two objectives of (1) contributing to reliability in the summer of 2022 on behalf of all customers as authorized in D.21-03-056, and (2) meeting the mid-term reliability needs on behalf of bundled service customers as authorized in D.21-06-035.

Meanwhile, PG&E has maintained bilateral discussions to seek additional incremental capacity and energy for summers 2021 and 2022 towards procurement targets established in D.21-03-056. The present amendments are a result of this ongoing procurement activity.

¹ D.21-03-056, p. 43.

² Additional market notices were issued on January 5 and 11, 2021.

B. 2022 Summer Procurement Evaluation Framework

PG&E prepared a framework based on procurement requirements identified in D.21-03-056 and D.21-06-035. PG&E's guiding principles when evaluating offers as part of this procurement were to: 1) improve system reliability for summer 2022; and 2) customer affordability. PG&E evaluated the offer based on Net Market Value (NMV).

The evaluation framework used to select this offer is described in Appendix C.

C. Negotiations

Following the August 2020 rotating outages, PG&E reached out to counterparties within its portfolio for incremental energy from resources under contract. In light of D.21-02-028 and D.21-03-056, PG&E has maintained discussions with counterparties, including Tesoro, for opportunities to obtain incremental energy.

D. Cost Allocation Mechanism Group and Procurement Review Group

On September 2, 2021, PG&E notified the Cost Allocation Mechanism (CAM) Group and the Procurement Review Group (PRG) via email of the amendments. This timing was to ensure that PG&E could incorporate any CAM group and PRG feedback before agreements were to be executed. PG&E did not receive any feedback.

E. Independent Evaluator

PG&E engaged an Independent Evaluator (IE) to assess the agreement to provide for reasonable oversight and increased transparency. The IE reviewed the terms of the agreement and the IE has provided general support for the agreement.

IV. Selected Project – Tesoro Refining & Marketing Company LLC – Martinez Cogeneration

PG&E is requesting the approval of an amendment to extend an existing agreement with Tesoro Refining & Marketing Company LLC for its Martinez Cogeneration facility, as described below. The final executed amendment can be found in Confidential Appendix A.

PG&E reached out to Tesoro, among many counterparties, for incremental energy following the August 2020 rotating outages. PG&E has conducted ongoing discussions with Tesoro for opportunities to obtain incremental energy, particularly in light of D.21-02-028 and D.21-03-056. These discussions have resulted in an amendment to extend the existing agreement to obtain incremental energy and capacity for the critical hours for both summer 2022 and summer 2023, consistent with the goals of the emergency procurement and the governor's proclamation. The amendment is limited in scope and duration.

The amendment provides an 18-month extension to the underlying agreement, from its current term end date of April 30, 2022, through the critical months in the summers 2022 and 2023.³ Additionally, to support grid reliability during the most critical hours of the day the amendment aligns the Time of Delivery capacity payment allocation factors to the California Independent System Operator's (CAISO) Resource Adequacy Availability Incentive Mechanism (RAAIM) Availability Assessment Hours (AAH) of 4pm to 9pm.

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 D.21-02-028. The amendment and associated costs 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). PG&E requests CAM cost recovery through and including October 31, 2023.

The amendments 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.

VI. Emissions Performance Standard

The greenhouse gas Emissions Performance Standard (EPS) was established by Senate Bill (SB) 1368 and implemented by the CPUC in D.07-01-039. The EPS applies to new or renewed long-term (five years or greater) power contracts for baseload generation (defined as a facility with an annualized plant capacity factor of at least 60 percent).⁴ Under the rules set forth in D.07-01-039 and SB 1368, all new or renewed contracts for baseload generation facilities cannot emit more carbon dioxide (CO₂) than a combined-cycle gas turbine power plant that, as adopted by the CPUC, equals 1,100 pounds of CO₂ per megawatt-hour.⁵

The Martinez Cogeneration facility is subject to the EPS. As demonstrated in Confidential Appendix E, the Martinez Cogen facility does not emit more CO₂ than a combined-cycle

³ Under the extended agreement, PG&E and Tesoro have the option to mutually extend the agreement on an annual basis beyond October 31, 2023. This potentially provides for additional capacity in summer 2024 should reliability challenges persist. However, PG&E is not requesting CAM cost recovery beyond October 31, 2023, in connection with this Advice Letter, nor has PG&E made any decision on whether to seek to mutually extend the agreement beyond that date.

⁴ D.07-01-039, p. 4.

⁵ Id., p. 8.

gas turbine power plant as set forth in D.07-01-039. As such, the Martinez Cogen facility complies with the EPS.

VII. 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 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: Amendment Extending Underlying Agreement by 18 months

Appendix B: Evaluation Framework for Agreement Extending Underlying Agreement by 18 months

Appendix D1: Independent Evaluator (IE) Memo (Confidential)

Appendix E: EPS Compliance Data

Public Appendices

Appendix C: Description of Agreement Extending Underlying Agreement by 18 months

Appendix D2: Independent Evaluator (IE) Memo (Public)

VIII. 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 and PGETariffs@pge.com*****

Anyone wishing to protest this submittal may do so by letter sent via U.S. mail, facsimile, or E-mail, no later than **October 5, 2021**, which is 20 days after the date of this submittal. Protests must be submitted to:

CPUC Energy Division
ED Tariff Unit
505 Van Ness Avenue, 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:

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).

IX. 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 **September 20, 2021**.

X. 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/

Sidney Bob Dietz II
Director, Regulatory Relations

cc: Service Lists R.20-11-003, R.19-11-009, and 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 (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) #: 6323-E

Tier Designation: 1

Subject of AL: Procurement for Summers 2022 and 2023 Under Decision 21-02-028 and Decision 21-03-056

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.21-03-056

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: Don Howerton, DPHk@pge.com, 415-632-9015.

Resolution required? Yes No

Requested effective date: 9/20/21

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: 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

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
RULEMAKING 20-11-003**

**DECLARATION OF DON HOWERTON SEEKING CONFIDENTIAL TREATMENT
FOR CERTAIN DATA AND INFORMATION CONTAINED IN PG&E'S ADVICE
LETTER 6323-E FOR PROCUREMENT FOR SUMMERS 2022 AND 2023 UNDER
DECISION 21-02-028 AND DECISION 21-03-056**

I, Don Howerton, declare:

1. I am a Director of Structured Energy Transactions 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 procurement and bid-related 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 procurement and bid-related data and information contained in PG&E's Advice Letter for Procurement for Summers 2022 and 2023 Under Decision 21-02-028 and Decision 21-03-056.

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 procurement and bid-related data and information covered by D.06-06-066. 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 September 15, 2021 at San Francisco, California.

/s/

Don Howerton
Director, Structured Energy Transactions
Pacific Gas and Electric Company

PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)

**ADVICE LETTER 6323-E FOR PROCUREMENT FOR SUMMERS 2022 AND 2023
UNDER DECISION 21-02-028 AND DECISION 21-03-056
SEPTEMBER 15, 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: Amendment Extending Underlying Agreement by 18 months	Item VII.B (Contracts and Power Purchase Agreements between utilities and non-Affiliated Third Parties (except RPS)).	The terms of the Letter Agreement 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. IV. Selected Project – Tesoro Refining & Marketing Company LLC – Martinez Cogeneration.	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: Evaluation Framework for Agreement Extending Underlying Agreement by 18 months	Item VIII. B) Specific quantitative analysis involved in scoring and evaluation of participating bids.	The appendix contains information on the evaluation methodology and price caps, which constitutes the confidential results of bid scoring and evaluation.	Information under Item VIII.B is confidential for three years from the date winning contracts are submitted for CPUC approval.
Appendix D1: Independent Evaluator (IE) Memo (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 Memo contains extensive discussion of the specific terms of the letter agreements and discussions with counterparties. The IE Memo also contains information on the evaluation framework and confidential results of the 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

PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)

**ADVICE LETTER 6323-E FOR PROCUREMENT FOR SUMMERS 2022 AND 2023
UNDER DECISION 21-02-028 AND DECISION 21-03-056**

SEPTEMBER 15, 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 for three years from the date winning contracts are submitted for CPUC approval.
Appendix E: EPS Compliance Data	Item VII.B (Contracts and Power Purchase Agreements between utilities and non-Affiliated Third Parties (except RPS)).	The EPS Compliance submitted data includes historical data pertaining to the contracted facility from 2019 through 2021. Submitted data includes the contracted facility's natural gas energy input, useful power output and useful thermal energy output The EPS compliance data is submitted as a part of the As-Available CHP PPA and should have the same confidential treatment as the PPA.	Three years from date contract states deliveries to begin or until one year following expiration, whichever comes first.

PACIFIC GAS AND ELECTRIC COMPANY

Appendix A

Amendment Extending Underlying Agreement by 18 months

(Confidential)

PACIFIC GAS AND ELECTRIC COMPANY

Appendix B

Evaluation Framework for Agreement Extending Underlying Agreement by 18 months

(Confidential)

PACIFIC GAS AND ELECTRIC COMPANY

Appendix C

**Description of Agreement Extending
Underlying Agreement by 18 months**

(Public)

Appendix C: Description of Agreement Extending Underlying Agreement by 18 months

Summary

- PG&E executed an extension to the existing agreement with Tesoro Martinez which expires on April 30, 2022. The initial extension is for 18 months, concluding on October 31, 2023. The amendment provides that the Agreement will be terminated on October 31, 2023 if either party issues a Notice of termination to the other party by August 31, 2022. Otherwise, if no Notice of termination is issued by then, the term automatically extends an additional year on an annual basis unless and until a party issues a Notice of termination 14 months in advance of the then-current end date.
- The agreement aligns Time of Delivery payment allocation factors to the California Independent System Operator Corporation's Resource Adequacy Availability Incentive Mechanism (RAAIM) Availability Assessment Hours (AAH) of 4pm to 9pm Monday - Sunday May 1 – October 31.

Expected Output

- PG&E expects a net output of 40 to 50 MW per hour over the extension term.

PACIFIC GAS AND ELECTRIC COMPANY

Appendix D1

Independent Evaluator (IE) Memo

(Confidential)

PACIFIC GAS AND ELECTRIC COMPANY

Appendix D2

Independent Evaluator (IE) Memo

(Public)

EQ

September 8, 2021

Don Howerton
Director
Structured Energy Transactions
Pacific Gas & Electric Company
77 Beale Street
San Francisco, CA 94105

Subject: Letter Report of Merrimack Energy Group, Inc. ("Merrimack Energy") Regarding the Proposed First and Second Amendments to Tesoro Refining and Marketing Company LLC Martinez Cogen LP Facility Agreement with Pacific Gas & Electric

Dear Mr. Howerton:

Pacific Gas & Electric ("PG&E") seeks approval for two Amendments to an existing contract with Tesoro Refining and Marketing ("Tesoro") for capacity and energy products from the existing Martinez Cogen, LP facility ("MCLP"). The existing agreement between Tesoro and PG&E was executed on August 25, 2014. The current agreement commenced on July 1, 2015 and terminates on April 30, 2022. Tesoro owns and operates the Golden Eagle Refinery ("GER") which is the host site for the MCLP. As noted in Exhibit B of the original agreement, MCLP is interconnected with both the GER through internal wiring and with the CAISO and PG&E grid through the PG&E Tidewater Substation. MCLP has implemented all agreements required to participate in the CAISO and has installed CAISO metering. The project is located in the Greater Bay Area and will therefore provide local capacity to PG&E. It is the IE's understanding that PG&E has negotiated these Amendments as bilateral agreements. The First Amendment procures additional energy for the months of September and October 2021. The Second Amendment represents an extension of the existing contract that is due to terminate at the end of April, 2022.

In response to California Public Utility Commission ("CPUC") Decision 21-03-056 which directed the Investor-Owned Utilities ("IOUs") to continue procurement efforts to decrease peak and net peak demand and increase peak and net peak supply during the summers of 2021 and 2022, PG&E has executed two amendments to the above Tesoro Agreement, which are described below. PG&E has requested that Merrimack Energy serve as Independent Evaluator for this bilateral contract transaction. Merrimack Energy has served as Independent Evaluator for PG&E's recent 2021-2022 Emergency Summer Procurement initiatives.

As background, the existing agreement with Tesoro for the Martinez Cogen project, an existing CHP facility, allows the Seller to provide 99.9 MW of capacity [REDACTED]. Under the Agreement, the Seller may elect to provide (i) only firm contract capacity; (ii) only as-available capacity; or (iii) both firm and as-available capacity. The agreement implies that the Seller will likely provide as-available capacity [REDACTED]. The as-available capacity for the TOD period is denominated in kWh per hour. [REDACTED]

[REDACTED]

As Merrimack Energy understands, the Refinery is currently undergoing a transition from a conventional oil refinery to a renewable diesel fuel refining facility and is currently not operational. As a result, the Martinez Combined Cycle Cogen facility can maximize its electric energy output at approximately 90 – 100 MWs and sell the output to PG&E for the September – October, 2021 timeframe.¹

As noted, PG&E executed two contract amendments. The term of the First Amendment shall commence as of that time and date upon which PG&E files an advice letter with the CPUC requesting CPUC approval and shall conclude at the end of the day on October 31, 2021. Section 3.24 Energy Generation is added to the Agreement during the First Amendment term which states that Seller shall maximize the Power Output of the Generating Facility and the Product delivered to Buyer during all hours of the First Amendment Term, subject to the safe operating limits of the Cogeneration Facility, Prudent Electrical Practices, and any Planned Outages or Forced Outages. In addition, the existing Section 2(b) – Energy Payment – of Exhibit D (Monthly Contract Payment Calculation) to the Agreement shall be deleted and replaced with a new pricing formula.

[REDACTED]

The Second Amendment essentially extends the current Agreement eighteen (18) months through at least October 2023, instead of terminating the Agreement on April 30, 2022 as specified under the current Agreement. The Second Amendment states that the Agreement will be terminated on October 31, 2023 if either party issues a Notice of termination to the other party by August 31, 2022. Otherwise, if no Notice of termination is issued by August 31, 2022, then the term shall automatically extend an additional year on an annual basis unless and until a party issues a Notice of termination.

The monthly capacity payment for the Second Amendment will be the product of the MW capacity times the contract capacity price. [REDACTED]

[REDACTED]

¹ Generation and payments are capped at 80 MW per hour midnight to noon.

² [REDACTED]

[REDACTED] from July 2023 to October 2023.³ The hourly energy generation is expected to range between 40 to 50 MW,⁴ so the capacity is estimated at 45 MW. Payment under the Second Amendment is effective only during the Summer RA Hours period, which is 4-9 pm, May 1 through October 31, 2022 and May 1 through October 31, 2023. Contract capacity for the remaining hours during the day during summer and all hours for all days during the Winter period (November 1, 2022 – April 30, 2023) will be zero.

In terms of valuation, the pricing in the First Amendment could be but is not likely to be the same as in the original Agreement. [REDACTED]

[REDACTED]

[REDACTED] Since the cogeneration project is not operating to provide steam to the refinery during this period, it would seem reasonable that to maximize output the seller would want to cover its variable operating costs and not operate at a loss with no steam value at this time. This increase in energy generation will also increase the facility's Net Qualifying Capacity ("NQC") in 2022 and 2023.⁵

[REDACTED]

PG&E's Quantitative Analysis team models the NMV of the Capacity Cost based on Exhibit D, for which the Seller provides capacity to the Buyer during the Summer Peak Months (May 1 through October 31). The Seller is not obligated to provide capacity during the period of November 2022 through April 2023, so no payment is due from PG&E. [REDACTED]

[REDACTED]

[REDACTED] First, the project is located in a PG&E Local Area (Greater Bay Area) that is likely to require additional capacity for 2022 and 2023. The First Amendment adds additional energy during the remaining parts of this summer in 2021, while the Second Amendment is expected to result in additional

[REDACTED]

⁴ The 40-50 MW expected hourly energy generation during the Second Amendment Term is lower than the 90-100 MW expected hourly energy generation during the First Amendment Term because Tesoro expects to start operating the renewable diesel refinery in summer 2022.

⁵ As an As Available resource, the NQC value is based on an average of the three previous year's values.

energy and capacity for PG&E during the summers of 2022 and 2023 to meet Emergency Procurement requirements. [REDACTED]

Should the CPUC view the need to add energy and capacity during the remainder of this summer and summer 2022 and 2023 for reliability purposes, then the Amendments will serve to meet those requirements. [REDACTED]

[REDACTED]. In addition, the Second Amendment should result in an increase in as-available capacity and provide local capacity in a part of the PG&E local area that requires additional local capacity.

Very Truly Yours,

Wayne Oliver
President
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26 Shipway Place
Charlestown, Mass. 02129

[REDACTED]

*Confidential Market Sensitive Information Protected Under
Public Utilities Code Section 454.5(g) and D.06-06-066*

PACIFIC GAS AND ELECTRIC COMPANY

Appendix E

EPS Compliance Data

(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