STATE OF CALIFORNIA GAVIN NEWSOM, *Governor*

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

Pacific Gas & Electric Company
ELC (Corp ID 39)
Status of Advice Letter 6325E
As of October 11, 2021

Subject: Request for Approval to Conclude Competitive Solicitation for Procurement of Distributed Energy Resources (DERs) for Electric Distribution Deferral Opportunities

Division Assigned: Energy

Date Filed: 09-13-2021

Date to Calendar: 09-15-2021

Authorizing Documents: D1802004

Disposition:	**Accepted**
Effective Date:	**09-13-2021**

Resolution Required: No

Resolution Number: None

Commission Meeting Date: None

CPUC Contact Information:

edtariffunit@cpuc.ca.gov

AL Certificate Contact Information:

Stuart Rubio
415-973-4587
PGETariffs@pge.com

STATE OF CALIFORNIA **GAVIN NEWSOM,** *Governor*

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

To: Energy Company Filing Advice Letter

From: Energy Division PAL Coordinator

Subject: Your Advice Letter Filing

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

The AL status certificate indicates:

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Disposition of Filing (Accepted, Rejected, Withdrawn, etc.)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

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

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

Energy Division's Tariff Unit by e-mail to
edtariffunit@cpuc.ca.gov

Pacific Gas and Electric Company

Sidney Bob Dietz II
Director
Regulatory Relations

Pacific Gas and Electric Company
77 Beale St., Mail Code B13U
P.O. Box 770000
San Francisco, CA 94177

Fax: 415-973-3582

September 13, 2021

Advice 6325-E
(Pacific Gas and Electric Company U 39 E)

Public Utilities Commission of the State of California

Subject: **Request for Approval to Conclude Competitive Solicitation for Procurement of Distributed Energy Resources (DERs) for Electric Distribution Deferral Opportunities**

Purpose

Pursuant to Ordering Paragraphs (OP) 2.w and 2.x of Decision (D.) 18-02-004, the May 7, 2019 Administrative Law Judge's Ruling Modifying the Distribution Investment Deferral Framework (DIDF) Process (May 2019 ALJ Ruling), and the May 11, 2020 Administrative Law Judge's Ruling Modifying the DIDF - Filing And Process Requirements (May 2020 ALJ Ruling) in Rulemaking (R.) 14-08-013, Pacific Gas and Electric Company (PG&E) submits this Tier 1 Advice Letter regarding its 2021 DIDF solicitation. Consistent with the guidance in these Decisions, PG&E seeks California Public Utilities Commission (Commission's or CPUC's) approval to conclude the 2021 DIDF request for offers (RFO) without any contracts.

Background

There were two improvement rulings modifying the DIDF process by Administrative Law Judge (ALJ) Mason in 2020. The April 2020 Administrative Law Judge's Ruling Modifying the Distribution Investment Deferral Framework Process (April 2020 ALJ Ruling) updated the Independent Professional Engineer (IPE) scope of work for the DIDF process and provided the 2020-2021 DIDF cycle schedule. The May 2020 ALJ Ruling further modifies the DIDF process and filings requirements by focusing on the comments and reforms related to aspects of the DIDF.

Pursuant to the CPUC's approval of PG&E's Advice Letter 6002-E and in compliance with D.18-02-004, May 2019 ALJ Ruling, April 2020 ALJ Ruling, and May 2020 ALJ Ruling, PG&E issued the 2021 DIDF RFO on January 11, 2021. This advice letter requesting approval of PG&E's decision to conclude the 2021 DIDF RFO complies with each of these directives.

Overview of 2021 Distribution Investment Deferral Framework (DIDF) Request for Offers (RFO)

Due to forecasted overload conditions from peak demand and reverse flow due to overgeneration, PG&E selected the following candidate deferral locations, located within PG&E's distribution planning area, for the DIDF RFO: Willow Pass Bank 1, San Miguel Bank 2, Calistoga Bank 1, Ripon 1705, Zamora 1108, Greenbrae Bank 2, and Blackwell Bank 1. These were selected due to their timing certainty and potential for cost-effective DER solutions.

Per the May 2020 ALJ Ruling Reform Item 44, PG&E selected Blackwell Bank 1 as the deferral opportunity to encourage bids for utility ownership. The selection of Blackwell Bank 1 was based on the DER being relatively well suited as an IOU owned dedicated distribution asset. Given the current cost recovery rules for the DIDF, PG&E did not value services other than distribution service.

PG&E issued its 2021 DIDF RFO on January 11, 2021 to solicit offers for up to 25.4 megawatts (MWs) of DERs to provide distribution capacity by increasing generation, reducing electrical consumption, increasing electrical consumption, or shifting load.
PG&E sought projects located at or on distribution circuits electrically connected downstream of the Grid Need Locations.

The 2021 DIDF RFO was conducted in two phases as detailed in the schedules below. The first phase was for locations that only allowed third-party ownership offers. The second phase was for the Blackwell Bank 1 location, which allowed both third-party ownership and utility ownership offers. The Blackwell Bank 1 deferral opportunity was on a longer schedule due to the complexity of conducting a solicitation that included utility ownership.

PG&E 2021 DIDF Solicitation Schedule for Third Party Ownership (Willow Pass, San Miguel, Calistoga, Ripon, Zamora, and Greenbrae)

Date	Activity
December 16, 2020	CPUC Approval of RFO
January 11, 2021	Issue RFO
January 19, 2021 at 1:00 - 3:00 PM (PPT)	Participants' Webinar
February 19, 2021 at 1:00 PM (PPT)	Offers(s) due via the online platform at Power Advocate

February 20, 2021	Offer(s) due to IE via USB flash-drive
March 5, 2021	PG&E notifies selected Participants that their Offer(s) will be included on a list of Offers for which PG&E may seek to enter into or negotiate an Agreement related to that Offer ("Shortlist")
March 11, 2021	Participants notify PG&E whether they accept Shortlist status and acknowledge acceptance of the Confidentiality Agreement
May 31, 2021	Complete negotiations and execute transaction
June 14, 2021	File transactions for CPUC approval

PG&E 2021 DIDF Solicitation Schedule for Third Party and Utility Ownership (Blackwell Bank 1)

Date	**Activity**
December 16, 2020	CPUC Approval of RFO
January 11, 2021	Issue RFO
April 15, 2021	Issue detailed specifications and term sheet for IOU ownership
April 28, 2021 at 1:00 - 3:00 PM (PPT)	Participants' Webinar
June 14, 2021 at 1:00 PM (PPT)	Offer(s) due via the online platform at Power Advocate
June 15, 2021	Offer(s) due to IE via USB flash-drive
July 23, 2021	PG&E notifies selected Participants that their Offer(s) will be included on a list of Offers for which PG&E may seek to enter into or negotiate an Agreement related to that Offer ("Shortlist")

July 29 2021	Participants notify PG&E whether they accept Shortlist status and acknowledge acceptance of the Confidentiality Agreement
November 16, 2021	Complete negotiations and execute transaction
December 16, 2021	File transactions for CPUC approval

The performance and operational requirements that PG&E sought for the deferral opportunities are listed below in the table below. For each one of the Deferral Needs, all of the expected performance and operational requirements needed to be met in order to defer the planned investment.

Deferral Need	Grid Need Location	Requirement	Real Time (RT) or Day Ahead (DA) Dispatch	Grid Need (MW)	Delivery Month Range	Calls/Year	Delivery Hour Range	Hours Duration	Delivery Day Range	Online Date	Deferral Term (Years)
Willow Pass Bank 1	Willow Pass Bank 1	A	DA	0.3	Jun-Aug	8	2PM-8PM	2	Sat-Sun	6/1/2023	7
	Willow Pass Bank 3	B	DA	5.1	Jun-Sep	101	2PM-10PM	6	Mon-Sun	6/1/2023	7
San Miguel Bank 2	San Miguel Bank 1	A1	DA	1.3	Jun-Sep	122	6AM-11PM	5	Mon-Sun	5/1/2023	7
		A2	DA	2.2	Jun-Sep	122	6AM-11PM	10	Mon-Sun	5/1/2023	7
	San Miguel 1104	B	DA	1.0	Jun-Sep	66	5PM-10PM	4	Mon-Fri	5/1/2023	7
	Paso Robles 1107	C	DA	0.6	Jul-Sep	21	3PM-9PM	4	Mon-Fri	5/1/2023	7

Calistoga Bank 1	Calistoga Bank 1	A	DA	1.3	Jun-Sep	40	2PM-6PM	3	Mon-Sun	5/1/2023	7
	Calistoga 1102	B1	DA	2.0	Jun-Sep	122	12PM-9PM	5	Mon-Sun	5/1/2023	7
		B2	DA	1.0	Jun-Sep	122	12PM-9PM	8	Mon-Sun	5/1/2023	7
Ripon 1705	Vierra 1707	A	DA	3.7	Jun-Sep	102	3PM-10PM	5	Mon-Sun	4/30/2024	6
Zamora 1108	Zamora Bank 1	A	DA	1.1	Jun-Jul	45	6AM-10PM	14	Mon-Fri	5/1/2023	7
Greenbrae Bank 2	Greenbrae Bank 2	A	DA	[redacted]							7
Blackwell Bank 1	Blackwell Bank 1	A	DA								7

After review by the Independent Evaluator (IE) and Energy Division, all documents for the DIDF RFO, including Solicitation Protocol document, the Technology Neutral Pro Forma (TNPF) Agreement, and an Excel offer form with detailed instructions, were posted at http://www.pge.com/2021didf.

Webinars

PG&E held the Third-Party Ownership Participants' Webinar on January 19, 2021, with approximately 45 parties attending via the internet or phone. PG&E held the Utility Ownership Participants' Webinar on April 28, 2021, with approximately 20 parties attending via the internet or phone.

The webinars covered the following subjects: (1) introduction of the DIDF program; (2) overview of the 2021 DIDF RFO, which included a description of the deferral locations, summary of the locations' customer composition and load shape, and an outline of the distribution services sought by PG&E; (3) eligibility requirements to participate in this solicitation; (4) overview of the relevant agreements; (5) the evaluation methodology used to select shortlisted Offers; (6) guidelines for submitting a successful proposal; (7) the offer submittal process and the required offer submission forms; and (8) questions from webinar attendees.

The Webinar materials and an audio file of the conference are posted on PG&E's 2021 DIDF RFO website: http://www.pge.com/2021didf.

Solicitation Results

PG&E received offers in each phase of the 2021 DIDF RFO from a variety of technologies including: Front of the Meter (FTM) Energy Storage, Behind the Meter (BTM) Energy Storage and BTM Dispatchable Renewable Distributed Generation.

PG&E evaluated offers based on the "least-cost, best-fit" (LCBF) principles using quantitative and qualitative criteria. PG&E evaluated the cost of each offer and looked to create the least cost portfolio to defer the distribution investment. PG&E also considered qualitative criteria, such as project viability, and the Participants ability to meet the full grid need. A sufficient quantity of viable bids were not received to meet the full need for any of the deferral opportunities.

After consultation with the Procurement Review Group (PRG) and the Independent Evaluator (IE), PG&E proposes to conclude the RFO without executing any contracts. A summary of evaluation of all offers and costs is included as confidential Appendix A.

PRG

PG&E provided multiple notifications to PRG throughout the DIDF RFO process. In January 2021, PG&E communicated to the PRG that it did not receive enough offers to meet the full grid need at any deferral location and notified PRG of its intention to conclude the first phase of the RFO in March 2021. In April 2021, PG&E communicated to the PRG that it did not receive any cost-effective offers to defer the Blackwell grid need and notified PRG of its intention to conclude the second phase of the RFO in July 2021.

Independent Evaluator

PG&E engaged an IE from the Commission's approved list of IEs for the DIDF RFO. The IE for this solicitation was Sedway Consulting, with Alan Taylor as the IE representative. The IE was involved in the review of RFO documentation before the RFO was issued, and review and evaluation of offers received. The IE also monitored feedback from all participants and non-participants in the solicitation as well as DIDF RFO-related PRG correspondences. The IE Report is provided as public Appendix B1, and the supplemental IE Report is provided as confidential Appendix B2.

Lessons Learned

PG&E continually strives to improve its RFO processes and to make its RFOs clear and user-friendly for Participants. The 2021 DIDF RFO provided valuable learnings for PG&E that can be applied to future RFOs. PG&E focused on understanding why RFO participation was limited, and how to increase participation in the future.

1. RFO Process

PG&E conducted a market survey seeking feedback from all participants and non-participants in the solicitation and offered an opportunity for a post-survey call.

Parties that participated in the RFO were consistent in saying the RFO process was well organized and that questions were answered in a timely manner.

PG&E also received feedback from parties that did not participate in the RFO. Although feedback was provided by only a small subset of survey recipients, reasons for non-participation included grid need requirements, locations of the grid need, distribution deferral value cost caps, online dates, and RFO submission requirements.

As detailed in the attached IE report, the IE suggested that issuing an RFO for 7 locations may have diluted participant interest, and that PG&E should consider including fewer locations in future RFOs to focus Participant interest.

2. Utility Ownership

As described above, PG&E solicited offers for utility ownership, in addition to offers for third-party ownership, at the Blackwell Bank 1 deferral location and did not receive any offers that were under the deferral value cost cap. Also as stated above and explained in more detail in Appendix B, given the current cost recovery rules for the DIDF, PG&E did not value services other than distribution service.

Prior to the bid deadline, PG&E received feedback from prospective participants that the deferral value cost cap for Blackwell Bank 1 was multiples lower than the industry average cost to install a FTM energy storage project. The low deferral value cost cap was the primary reason for non-participation in the second phase of the RFO.

Confidentiality

PG&E is seeking confidential treatment of Confidential Attachments A and B2 to this Advice Letter. The information for which PG&E is seeking confidential treatment is identified in the Confidentiality Declaration and Matrix. The confidential version of this Advice Letter will be made available to appropriate parties.

Attachment

Attachment A: Summary of Evaluation of All Offers and Costs (Confidential)
Attachment B1: IE Report (Public)
Attachment B2: IE Report (Confidential)

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 4, 2021**, which is 21[1] 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

[1] The 20-day protest period concludes on a weekend; therefore, PG&E is moving this date to the following business day.

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 1** advice submittal become effective upon date of submittal, which is **September 13, 2021.**

Notice

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list and the parties on the service list for **R.14-08-013 and R.14-10-003**. 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

Attachments

cc: Service List **R.14-08-013 and R.14-10-003**

California Public Utilities Commission

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) #: 6325-E

Tier Designation: 1

Subject of AL: Request for Approval to Conclude Competitive Solicitation for Procurement of Distributed Energy Resources (DERs) for Electric Distribution Deferral Opportunities

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.18-02-004

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: 9/13/21

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[1]: N/A

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

[1]Discuss in AL if more space is needed.

Clear Form

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:	

Clear Form

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

DECLARATION SUPPORTING CONFIDENTIAL DESIGNATION
ON BEHALF OF
PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)

1. I, Don Howerton, am a Director within Pacific Gas and Electric Company ("PG&E"), a California corporation. Fong Wan, the Senior Vice President of Energy Policy and Procurement of PG&E, delegated authority to me to sign this declaration. My business office is located at:

Pacific Gas and Electric Company
77 Beale Street, Mail Code B25J
San Francisco, CA 94105

2. PG&E will produce the information identified in paragraph 3 of this Declaration to the California Public Utilities Commission ("CPUC") or departments within or contractors retained by the CPUC in response to a CPUC audit, data request, proceeding, or other CPUC request.

Name or Docket No. of CPUC Proceeding (if applicable): ______________________________

____

3. Title and description of document(s):

- Cover Letter of Advice 6325-E, pg. 5

- Attachment A: Summary of Evaluation of All Offers and Valuation_CONF.pdf

-Attachment B2:_IE Report_CONF.pdf

4. These documents contain confidential information that, based on my information and belief, has not been publicly disclosed. These documents have been marked as confidential, and the basis for confidential treatment and where the confidential information is located on the documents are identified on the following chart:

Check	Basis for Confidential Treatment	Where Confidential Information is located on the documents
X	Customer-specific data, which may include demand, loads, names, addresses, and billing data (Protected under PUC § 8380; Civ. Code §§ 1798 *et seq.*; Govt. Code § 6254; Public Util. Code § 8380; Decisions (D.) 14-05-016, 04-08-055, 06-12-029)	Redacted information in Advice Letter 6325-E; Entirety of Attachment A: Summary of Evaluation of All Offers and Costs; and Entirety of Attachment B2: IE Report (CONF).
	Personal information that identifies or describes an individual (including employees), which may include home address or phone number; SSN, driver's license, or passport numbers; education; financial matters; medical or employment history (not including PG&E job titles); and statements attributed to the individual (Protected under Civ. Code §§ 1798 *et seq.;* Govt. Code § 6254; 42 U.S.C. § 1320d-6; and General Order (G.O.) 77-M)	
	Physical facility, cyber-security sensitive, or critical energy infrastructure data, including without limitation critical energy infrastructure information (CEII) as defined by the regulations of the Federal Energy Regulatory Commission at 18 C.F.R. § 388.113 (Protected under Govt. Code § 6254(k), (ab); 6 U.S.C. § 131; 6 CFR § 29.2)	
X	Proprietary and trade secret information or other intellectual property and protected market sensitive/competitive data (Protected under Civ. Code §§3426 *et seq.*; Govt. Code §§ 6254, *et seq*., e.g., 6254(e), 6254(k), 6254.15; Govt. Code § 6276.44; Evid. Code §1060; D.11-01-036)	Entirety of Attachment A: Summary of Evaluation of All Offers and Costs; and Entirety of Attachment B2: IE Report (CONF).
	Corporate financial records (Protected under Govt. Code §§ 6254(k), 6254.15)	

X	Third-Party information subject to non-disclosure or confidentiality agreements or obligations (Protected under Govt. Code § 6254(k); see, e.g., CPUC D.11-01-036)	Entirety of Attachment A: Summary of Evaluation of All Offers and Costs; and Entirety of Attachment B2: IE Report (CONF).
☐	Other categories where disclosure would be against the public interest (Govt. Code § 6255(a)) [NEED TO EXPLAIN HOW THE PUBLIC INTEREST SERVED BY NOT DISCLOSING THE RECORD CLEARLY OUTWEIGHS THE PUBLIC INTEREST SERVED BY DISCLOSURE]): ______________________________ ______________________________ ______________________________	

5. The importance of maintaining the confidentiality of this information outweighs any public interest in disclosure of this information. This information should be exempt from the public disclosure requirements under the Public Records Act and should be withheld from disclosure.
6. I declare under penalty of perjury that the foregoing is true, correct, and complete to the best of my knowledge.
7. Executed on this 13th day of September, 2021 at San Francisco, California.

/s/ Don Howerton
Don Howerton
Director
Pacific Gas and Electric Company

PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)

ATTACHMENT TO DECLARATION
09/13/2021

ATTACHMENT NAME	DOCUMENT NAME	CATEGORY OF CONFIDENTIALITY	LOCATION
Attachment A_2021 DIDF RFO - Summary of Evaluation of All Offers and Costs_CONFIDENTIAL.pdf	Summary of Evaluation of all Offers and Costs	Proprietary and trade secret information or other intellectual property and protected market sensitive/competitive data (Protected under Civ. Code §§3426 *et seq.*; Govt. Code §§ 6254, *et seq.*, e.g., 6254(e), 6254(k), 6254.15; Govt. Code § 6276.44; Evid. Code §1060; D.11-01-036)	All pages within document.
Attachment A_2021 DIDF RFO - Summary of Evaluation of All Offers and Costs_CONFIDENTIAL.pdf	Summary of Evaluation of all Offers and Costs	Third-Party information subject to non-disclosure or confidentiality agreements or obligations (Protected under Govt. Code § 6254(k); see, e.g., CPUC D.11-01-036)	All pages within document.
Attachment B2_PG&E 2021 DIDF RFO IE Report - CONFIDENTIAL Appendix A – Final.pdf	IE Report (CONF)	Proprietary and trade secret information or other intellectual property and protected market sensitive/competitive data (Protected under Civ. Code §§3426 *et seq.*; Govt. Code §§ 6254, *et seq.*, e.g., 6254(e), 6254(k), 6254.15; Govt. Code § 6276.44; Evid. Code §1060; D.11-01-036)	All pages within document.

ATTACHMENT NAME	DOCUMENT NAME	CATEGORY OF CONFIDENTIALITY	LOCATION
Attachment B2_PG&E 2021 DIDF RFO IE Report - CONFIDENTIAL Appendix A – Final.pdf	IE Report (CONF)	Third-Party information subject to non-disclosure or confidentiality agreements or obligations (Protected under Govt. Code § 6254(k); see, e.g., CPUC D.11-01-036)	All pages within document.

PACIFIC GAS AND ELECTRIC COMPANY

Attachment A

Summary of Offers and Valuation

(Confidential)

PACIFIC GAS AND ELECTRIC COMPANY

Attachment B1

Independent Evaluation (IE) Report

(Public)

Sedway Consulting, Inc.

INDEPENDENT EVALUATION REPORT FOR PACIFIC GAS & ELECTRIC'S 2021 DISTRIBUTION INVESTMENT DEFERRAL FRAMEWORK REQUEST FOR OFFERS

Submitted by:

Alan S. Taylor
Sedway Consulting, Inc.
Boulder, Colorado

August 27, 2021

TABLE OF CONTENTS

Introduction and Background

On January 11, 2021, Pacific Gas & Electric (PG&E) issued its 2021 Distribution Investment Deferral Framework (DIDF) Request for Offers (RFO) to demonstrate the efficacy of distributed energy resources (DERs) in providing cost-effective deferral of distribution system upgrades, as required by California Public Utilities Commission ("CPUC") Decision ("D.")18-02-004 and approval of PG&E's Advice Letter 6002-E (approved on December 16, 2020).

There were two phases of the RFO. For the first phase, DERs were sought that could defer upgrades to any one of the following six locations/projects while still maintaining system reliability and safety:

1. Willow Pass Bank 1
2. San Miguel Bank 2
3. Calistoga Bank 1
4. Ripon 1705
5. Zamora Bank 1
6. Greenbrae Bank 2

Each deferral opportunity had independent needs and requirements; thus the DIDF RFO essentially consisted of a separate, independent solicitation for each location.

For the second phase of the RFO, PG&E identified Blackwell Bank 1 as a location whereby it would solicit both third party ownership and utility ownership offers. Since this was the first time that offers for utility ownership were being considered for distribution deferrals and it required a different set of specifications and contracts, PG&E separated Blackwell Bank 1 into a second phase with an extended solicitation schedule that it intended to follow if cost-effective offers for Blackwell Bank 1 were received. The intended schedule for both RFO phases is outlined in Table 1.

This Independent Evaluator (IE) report covers both phases of PG&E's 2021 DIDF RFO.

Table 1 PG&E 2021 DIDF Intended Solicitation Schedule		
Activity	**Phase 1** **All locations except Blackwell Bank 1**	**Phase 2** **Blackwell Bank 1**
CPUC Approval of RFO	December 16, 2020	December 16, 2020
Issue RFO	January 11, 2021	January 11, 2021
Issue Specs and Term Sheet for IOU ownership	---	April 15, 2021
Participants' Webinar	January 19, 2021	April 28, 2021
Offers Due	February 19, 2021	June 14, 2021
Shortlist Notification	March 5, 2021	July 23, 2021
Participants Acceptance of Shortlist	March 11, 2021	July 29, 2021
Complete negotiations and execute transactions	May 31, 2021	November 16, 2021
File transactions for CPUC approval	June 14, 2021	December 16, 2021

The above schedules for the two phases of the RFO allowed for separate tracks for contract negotiation, execution, and filing for regulatory approval. Although it was expected that two IE reports would be generated by this process (one for Phase 1 and one for Phase 2), neither phase resulted in the receipt of cost-effective offers. It was thus decided to combine the findings and results of both phases into this single IE report.

PG&E's 2021 DIDF RFO Protocol sought "distribution capacity and load" that would allow the deferral of distribution system improvement projects. All of the deferral needs covered in this IE report are for increased generation, load reduction, or load shifting. In order to defer the distribution system upgrades, PG&E solicited products that, either individually or in combination, would address the complete substation need at each location. Any final selected DER or package of DERs would have to address the following needs for each of the substations.

The first phase of the RFO solicited offers for DERs that might defer distribution system investments at any of the following six locations:

Willow Pass Bank 1 requirements, starting June 1, 2023 for a 7-year term:

- A: 0.3 MW at Willow Pass Bank 1 for 2 hours duration on weekends between 2:00 pm and 8:00 pm from June-August with a maximum of 8 calls per year.

- B: 5.1 MW at Willow Pass Bank 3 for 6 hours duration between 2:00 pm and 10:00 pm every day of the week from June-September with a maximum of 101 calls per year.

San Miguel Bank 2 requirements, starting May 1, 2023 for a 7-year term:

- A1: 1.3 MW at San Miguel Bank 1 for 5 hours duration between 6:00 am and 11:00 pm every day of the week from June-September with a maximum of 122 calls per year. Offers that increase loading on the bank were not viable for this requirement (e.g. energy storage requiring charging from the grid) due to capacity constraints on San Miguel Bank 1.

- A2: 2.2 MW at San Miguel Bank 1 for 10 hours duration between 6:00 am and 11:00 pm every day of the week from June-September with a maximum of 122 calls per year. Offers that increase loading on the bank were not viable for this requirement (e.g. energy storage requiring charging from the grid) due to capacity constraints on San Miguel Bank 1.

- B: 1 MW at San Miguel 1104 for 4 hours duration between 5:00 pm and 10:00 pm weekdays from June-September with a maximum of 66 calls per year.

- C: 0.6 MW at Paso Robles 1107 for 4 hours duration between 3:00 pm and 9:00 pm weekdays from July-September with a maximum of 21 calls per year.

Calistoga Bank 1 requirements, starting May 1, 2023 for a 7-year term. The Rapid Earth Fault Current Limiter project is being implemented at this location, requiring a special protection scheme and coordination with downstream feeder protection from DERs. Interconnection of large generation or energy storage sources could add complexity and cost to the area.

- A: 1.3 MW at Calistoga Bank 1 for 3 hours duration between 2:00 pm and 6:00 pm every day of the week from June-September with a maximum of 40 calls per year.

- B1: 2 MW at Calistoga 1102 for 5 hours duration between 12:00 pm and 9:00 pm every day of the week from June-September with a maximum of 122 calls per year.

- B2: 1 MW at Calistoga 1102 for 8 hours duration between 12:00 pm and 9:00 pm every day of the week from June-September with a maximum of 122 calls per year.

Ripon 1705 requirements, starting May 1, 2024 for a 6-year term:

- A: 3.7 MW at Vierra 1707 for 5 hours duration between 3:00 pm and 10:00 pm every day of the week from June-September with a maximum of 102 calls per year.

Zamora 1108 requirements, starting May 1, 2023 for a 7-year term:

- A: 1.1 MW at Zamora Bank 1 for 14 hours duration between 6:00 am and 10:00 pm weekdays from June-July with a maximum of 45 calls per year. Offers that increase loading on the bank (e.g. energy storage requiring charging from the grid) were not viable for this requirement due to capacity constraints on Zamora Bank 1.

Greenbrae Bank 2 requirements are confidential per CPUC D.14-05-016. PG&E provided the requirements for Greenbrae Bank 2 to Participants who signed a Non-Disclosure and Use of Information Agreement. Greenbrae Bank 2 requirements include a long duration need and frequent calls throughout the year. Offers that increase loading on the bank are not viable for this requirement (e.g., energy storage requiring charging from the grid) due to capacity constraints on Greenbrae Bank 2.

For the second phase of the RFO, a seventh location represented the only candidate for DER offers:

Blackwell Bank 1 requirements are confidential per CPUC D.14-05-016. PG&E provided the requirements for Blackwell Bank 1 to Participants who signed a Non-Disclosure and Use of Information Agreement. The DER need for Blackwell Bank 1 was driven by forecasted over-generation from solar resources that would cause an overload reverse flow condition on the substation. Thus, one potential solution was an energy storage resource that could charge and absorb this over-generation during key hours.

Offers could be for projects that would be located either in-front-of-the-meter (IFOM) or behind-the-meter (BTM). The RFO sought cost-effective offers that either (a) met the entire need or (b) met a portion of the need (whereby portfolios of offers might be assembled that would meet the entire need).

For the first phase of the RFO, eligible product types included the following:

- Energy Efficiency (“EE”),
- Demand Response (“DR”),
- Energy Storage (“ES”),
- Renewable Distributed Generation (“DG”),
- Non-Renewable Distributed Generation that would reduce GHG emissions reductions over the resource’s lifecycle,

- Permanent Load Shift, and
- Electric Vehicles.

For the second phase of the RFO (Blackwell Bank 1), PG&E provided specific requirements for Participants to submit build-own-transfer offers to develop an energy storage facility on the utility's property. Upon construction completion (and subject to the facility passing all necessary inspections), the facility would be transferred to PG&E for the agreed-upon price and PG&E would assume ownership. Operation and maintenance would be retained by the Participant through a Long-term Performance and Maintenance agreement. Although third-party offers were also solicited, they inherently had to be energy storage types of offers whereby excess solar generation could be absorbed during key hours to address back flow constraints at the substation. Thus, DERs that purely involved generation or load-reduction were not viable.

The following discussion is generally applicable to both RFO phases. However, as the Blackwell Bank 1 phase sought resources that could absorb excess solar generation during key hours, some of the offer types discussed below were not applicable in that phase.

For dispatchable offers, counterparties would be expected to deliver or absorb the capacity after receiving a day-ahead signal. If the counterparty did not meet the delivery requirements, the fixed payments would be reduced by a certain percentage based upon the product's availability (with significant under-delivery or failure to deliver resulting in the potential termination of the contract).

For Energy Efficiency offers, Participants were asked to provide the capacity offered and a contract price in total dollars that would be paid after the first year when savings could be verified. For non-dispatchable Renewable Distributed Generation and Permanent Load Shift offers, Participants were asked for a capacity price only (in $/kw-mo). For all other eligible product types, Participants were asked to provide the capacity offered, a capacity price (in $/kW-mo), and/or a variable price (in $/kWh) for each month of operation. For non-dispatchable product types, Participants were also required to provide an estimated generation or load reduction profile in typical week per month.

In addition, Participants were asked to specify in their offers if the offer pricing could be applied to a range of project sizes. PG&E also accepted partial offers and offers up to 200% of the MW need. Any ranges, partial offers, and oversized offers would be used to consider combinations of offers, changes in load forecasts, or potential procurement of buffers to address forecasting uncertainty. PG&E encouraged Participants to submit offers that would meet an entire deferral need if they were able (e.g. for Willow Pass Bank 1, an offer that would meet both Willow Pass Bank 1 and Willow Pass Bank 3 requirements).

PG&E gave all Participants an option for customer engagement and lead generation support. The purpose of this option would be to aid Participants in acquiring customers for their projects. Customer engagement support scope and costs would be estimated during contract negotiations.

Participants also were required to provide information about and go through a review of incrementality of their offered projects. Only DERs that were categorized as wholly incremental or partially incremental (i.e., not already sourced through another program, tariff, or solicitation) were considered eligible.

Energy Efficiency Participants had the option of having their offers evaluated for incrementality on a project-specific basis or with a pre-specified overlap factor of 10% to reflect the overlap between an offer's measures and energy efficiency resources that are projected to be deployed in the local area in the absence of the offer.

Independent Evaluator Involvement

The CPUC has issued several decisions that require California's investor-owned utilities to retain an Independent Evaluator (IE) in resource solicitations.[1] In addition, on May 11, 2020, the CPUC issued a ruling specifying an expanded IE scope of work for DIDF implementation. In August 2020, in compliance with these CPUC decisions and ruling, PG&E retained Sedway Consulting, Inc. (Sedway Consulting) as the IE to monitor PG&E's 2020-2021 DIDF implementation.

As part of the IE scope of work from the May 11, 2020 ruling, the IE DIDF RFO report is to include an assessment of PG&E's 2021 DIDF RFO solicitation using the following criteria:

- An evaluation the fairness of the DIDF RFO and any other aspects of the IE scope of work and, as requested, by Energy Division.
- An assessment as to whether the solicitation 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.
- An assessment as to whether the IOU's evaluation criteria and methodologies were reasonable and appropriate and applied in a fair and non-discriminatory manner for all offers received.
- Provides recommendations for future RFO improvements.

[1] D.04-12-048 (Findings of Fact 94-95, Ordering Paragraph 28) and D.06-05-039 (Finding of Fact 20, Conclusion of Law 3, Ordering Paragraph 8).

Most of the criteria for the IE DIDF report is included in the template that was issued by the CPUC as part of R.06-02-013 (Attachment B: CPUC Independent Evaluator Template [Short Form][2], and as has been subsequently updated) to organize and structure Independent Evaluation reports regarding solicitations for power supplies undertaken by California utilities. Therefore, this report addresses the question/topic areas in the template (depicted in boxes in this report) and includes supplemental information based on the May 11, 2020 ruling IE scope of work, as needed.

This report also includes a confidential appendix that provides Sedway Consulting's evaluation results and confidential assessments of specific areas of the RFO process. The material in the confidential appendix is being afforded confidential treatment for the following reasons. First, it is important to protect counterparties from having their product pricing provided to competitors. Second, this material is being afforded confidential treatment in line with the CPUC's Decision 06-06-066 (issued on June 29, 2006) which included guidelines for defining what constitutes confidential versus public information in California utility electricity procurement and related activities. Pursuant to Public Utilities Code Section 583 and the above decision, score sheets, analyses, and evaluations of proposed transactions are deemed confidential.[3]

Role of the Independent Evaluator

1. Describe in detail the role of the IE throughout the solicitation and negotiation process.

Sedway Consulting was provided access to all appropriate materials and was able to parallel PG&E's process with its own receipt and evaluation of all offers. Sedway Consulting reviewed PG&E's RFO documents, outreach efforts, evaluation processes, modeling methodologies, communications with bidders, and evaluation and selection results.

Members of the IE team:

- participated in the DPAG primer session and PG&E specific DPAG meetings during the DPAG period,

[2] Administrative Law Judge's Ruling Issuing Templates for Independent Evaluator Reports and Contract Approval Requests, Attachment B, R.06-02-013, Carol Brown, ALJ filed May 8, 2008.

[3] "Interim Opinion Implementing Senate Bill No. 1488, Relating to Confidentiality of Electric Procurement Data Submitted to the Commission," June 29, 2006, Appendix 1, page 17.

- responded to requests from Energy Division regarding value stacking,
- reviewed and commented on the RFO Protocol and other materials prior to their issuance,
- participated in PG&E's January 19, 2021 Participants' webinar for the first phase of the RFO and PG&E'S April 28, 2021 Participants' webinar for the second phase of the RFO,
- reviewed email exchanges of questions from potential Participants and answers from PG&E,
- discussed evaluation methods and processes with PG&E and reviewed the utility's evaluation methodology documents,
- reviewed estimated revenue requirements and deferral values for the targeted distribution system upgrades,
- received all offers directly from Participants,[4]
- performed an independent review and evaluation of all offers,
- conferred with PG&E on seeking clarified and/or revised offers from Participants,
- conferred with PG&E regarding shortlisting and final decisions,
- participated in virtually all calls and monitored all email communications with Participants,
- participated in debriefing calls with unsuccessful bidders,
- was provided Cost Allocation Mechanism Procurement Review Group (CAM PRG) and Energy Division emails in which the DIDF RFO results were conveyed, and
- reviewed results of post-RFO bidder survey that was conducted by PG&E.

Sedway Consulting requested PG&E to provide all quantitative and qualitative evaluation protocols and parameters prior to the receipt of offers. This, in essence, allowed Sedway Consulting to review, lock down, and archive the basic evaluation parameters for the process. Such information included PG&E's discount rate, distribution project deferral value assumptions, administrative costs, and dispatch assumptions.

Sedway Consulting's activities are described in more detail in relevant sections of this report and confidential appendix.

[4] Bidders were instructed to provide physical delivery of a USB thumb drive with their offer materials to Sedway Consulting for receipt no later than one business day following the deadline for uploading such materials to PG&E's web-platform. This ensured that the IE had materials directly from each bidder without any possibility of interference or corruption of information through PG&E's web-platform process and allowed Sedway Consulting to ensure that what had been uploaded to PG&E was indeed what each bidder had intended to submit.

PG&E's Outreach Activities

How did the IOU conduct outreach to bidders, and was the solicitation robust?

Sedway Consulting believes that PG&E pursued reasonable and adequate procedures for notifying potential interested parties. Specifically, PG&E dedicated a section of its company website to the solicitation, providing a means for interested parties to download the RFO Protocol/Instructions and related materials. Prior to the launch date on December 24, 2020, PG&E released a notice to over 2,500 market participants that the 2021 DIDF RFO would be issued in January, 2021 and encouraged potential participants to begin reviewing potential locations and needs as specified in the DIDF Advice Letter (AL 6002-E). On the RFO launch date of January 11, 2021, PG&E again notified over 2,500 market participants and CPUC service list contacts from the utility's RFO Distribution List that the RFO had been released and invited them to participate. The announcement noted that the RFO would be conducted in two phases and provided the schedules for each phase.

On April 15, 2021, PG&E emailed a market notice to the same distribution list, announcing the launch of the second phase of the RFO. A similar market notice was emailed on April 27, 2021 to alert interested parties of the April 28, 2021 webinar for the RFO's second phase. On June 10, 2021, PG&E emailed a reminder of the June 14, 2021 deadline for the submission of Blackwell offers.

Sedway Consulting concluded that PG&E did an adequate job of publicizing the 2021 DIDF solicitation. Unfortunately, the response received from the bidding community was not robust as PG&E did not receive enough offers to defer any of the solicited deferral needs in the first phase and no cost-effective offers in the second phase. The confidential appendix contains information about the offers received.

To solicit feedback about the RFO, PG&E held follow-up calls with Participants that submitted offers and who wished to participate in such calls. Some phase one Participants noted the tight timeframe between the launch of the RFO on January 11, 2021 and the offer due date of February 19, 2021. Indeed, during discussions with PG&E prior to the RFO's launch, Sedway Consulting had expressed similar concerns. In response to those concerns, PG&E had extended the time between the launch of the RFO and the phase one offer submission deadline by nine days.[5]

[5] Both Sedway Consulting and PG&E agreed that the evaluation of phase one offers could be accelerated; thus, the time for the offer development extension was achieved by shortening the time between the offer due date and the date of notifying shortlisted participants.

At the end of the RFO, PG&E also conducted a market survey to seek feedback from both Participants and non-participants. Some non-participants indicated that they chose not to develop offers because:

1. the deferral values were too low to allow their projects to be cost-competitive,
2. the location dispatch needs were too onerous (e.g., too high a number of required calls per year),
3. the on-line date requirements were tight, and/or
4. the offer submission process was too complicated.

> Was the outreach sufficient and materials clear such that the bids received meet the needs the solicitation was intending to fill?

Sedway Consulting believes that PG&E did a sufficient job in outreach for the RFO and that the provided materials were clear.

Sedway Consulting reviewed the RFO solicitation package(s), the website, and webinar presentation(s) and believes PG&E's RFO solicitation materials included adequate information.

The materials included information about the geographic areas and customer compositions of each need (unless confidential) and detailed explanations regarding incrementality. In addition, the capital costs and distribution deferral values were included within the DIDF Protocol per the Decision 18-02-004 Ordering Paragraph 2q.

The phase two Blackwell RFO materials included detailed documents regarding the utility ownership option. Such materials included the specifications and procedures that PG&E would require a developer to follow in order for an energy storage facility to be developed on PG&E's Blackwell substation property that the utility would be willing to purchase.

On January 19, 2021, PG&E held a Participants' webinar to provide an overview of the DIDF solicitation. A second webinar for the second phase of the RFO was held on April 28, 2021. The webinars provided Participants an opportunity to learn more about the solicitation, hear presentations, and ask questions. Sedway Consulting attended both webinars. There were additional opportunities to ask questions via email following the webinars, with Sedway Consulting included on those email exchanges. PG&E posted the webinar presentations, transcripts, and question and answers on the DIDF website after the webinars.

Least Cost Best Fit Methodology

> Describe the IOU's Least Cost Best Fit (LCBF) methodology. Evaluate the strengths and weaknesses of the IOU's LCBF methodology. (This should include a thorough analysis of the RFO results.)

Description of Evaluation Process

The initial stage of PG&E's evaluation process entailed screening the offers for compliance with and general responsiveness to the RFO Protocol. In the first phase of the RFO, all offers passed the screening stage and were candidates for evaluation. In the second phase, one offer was deemed to be non-compliant, but the Participant was given the opportunity to cure the deficiency and submit a compliant offer and the Participant did so. The evaluation results for all offers are provided in this report's Confidential Appendix A.

The second stage of the evaluation process was to determine if there were enough offers to defer the traditional distribution investments through either stand-alone offers or portfolios of offers. For each deferral need location, all requirements needed to be met in order to defer the traditional investment (e.g. both requirements A and B needed to be met for Willow Pass Bank 1).

Because PG&E only requires distribution deferral capacity in order to defer the distribution investments at each area (i.e., Participants retain and are encouraged to monetize other services), the quantitative evaluation is quite straightforward and primarily entailed comparing the net present value of an offer's monthly costs with the applicable location's distribution deferral value.

The monthly costs included an offer's fixed and variable pricing, contract administrative costs, and Customer Engagement Support costs (if applicable).[6] The savings included the distribution deferral value. The distribution deferral value represents the net present value (NPV) of deferring the annual revenue requirement associated with the traditional distribution investment for the deferral period. Specifically, the deferral value is the difference of the NPV of the lifetime revenue requirements of the un-deferred distribution investment and the NPV of the revenue requirements for the same investment (with an escalation assumption) made at the end of the deferral period, with an infinite replacement assumption for both. PG&E published the deferral value of each deferral

[6] Customer Engagement Support costs are project-specific and would be determined on a case-by-case basis.

need location within the 2021 DIDF RFO Protocol. Table 1 shows the project cost, deferral term, and deferral value for each location.

The difference of the NPV for each standalone offer's or portfolio of offer's costs and the distribution deferral value represented the net value (called the portfolio adjusted value, PAV). The ratio of the NPV of the DER costs and the deferral value could be used to depict a cost/benefit ratio.

Table 1
PG&E 2021 DIDF Deferral Values

Deferral Need Location	Project Cost ($000)	Deferral Term (years)	Deferral Value ($000)
Phase 1			
Willow Pass Bank 1	14,741	7	7,427
San Miguel Bank 2	9,700	7	4,904
Calistoga Bank 1	7,340	7	2,746
Ripon 1705	2,200	6	1,429
Zamora 1108	1,200	7	461
Greenbrae Bank 2	6,000	7	2,252
Phase 2			
Blackwell Bank 1	6,000	7	2,307

Although the focus of the quantitative evaluation was on determining if portfolios could be created to defer the distribution investment (i.e., were there enough offers) and identifying the offers with the best net value or lowest cost/benefit ratio, a series of additional factors such as project viability and fit were also considered.

Sedway Consulting believes that PG&E's evaluation process complied with the CPUC's "Least Cost Best Fit" (LCBF) criteria. Sedway Consulting believes that the evaluation process was fairly designed and reasonably administered such that all Participants and product types were treated consistently and fairly and had equal opportunity to be shortlisted and selected by PG&E.

Incrementality

PG&E provided guidance to Participants regarding incrementality in their RFO documents and webinar, including descriptions and examples of what PG&E considered to be fully incremental, partially incremental, and non-incremental. Sedway Consulting believes that PG&E provided adequate information in their solicitation materials.

Strengths/Weaknesses of the IOU's LCBF Methodology

Because PG&E only requires distribution deferral capacity in order to defer the distribution investments at each area, PG&E does not procure other product attributes or services such as delivered energy but instead allows Participants to retain and monetize other product attributes or services separately. The strength of this approach is that it allows PG&E to only procure the services it needs and may result in lower cost offers. A difficulty with this approach is that Participants may not be able to or be in a good position to monetize other services that their offers may provide.

Sedway Consulting discussed this deferral-capacity-only approach with PG&E. PG&E noted that it had a surplus some of the additional services (e.g., energy, RA capacity in months outside of the distribution deferral months) in its overall supply portfolio for its customers and therefore did not want to add to this surplus. In addition, PG&E indicated that procuring such additional services through the DIDF process and accounting for the gains from the sale of such services raised some cost allocation concerns.[7]

A second strength of PG&E's LCBF methodology is its relative simplicity. Because PG&E publishes the distribution deferral values, the valuation methodology is open and transparent, allowing Participants to essentially "test" the cost effectiveness of their own offers. There is a downside to this though as it may discourage higher cost partial offers that could potentially be part of a cost effective portfolio of offers.

[7] In PG&E's 2021 Distribution Deferral Opportunity Report (DDOR) filed August 16, 2021 (section 12.2, page 45), the utility stated that the "[R]ecovery of [DIDF DER] costs under the Energy Resource Recovery Account (ERRA) discourages PG&E procurement of services beyond the distribution Deferral Value. The recovery of costs via ERRA for all services (other than the Deferral Value) creates fairness and equity concerns, because the procurement of the DER services is fundamentally being done to address grid needs, not to address a bundled customer need. Instead, all costs should be recorded in a non-by passable procurement account (e.g., the Distributed Energy Resources Distribution Deferral Account (DERDDA)) in a manner analogous to the cost recovery approved for the Llagas DER project. In contrast to cost recovery via ERRA, this would allow DERs to realize the value from all distribution customers rather than just bundled customers. Without such a modification, PG&E's solicitations for IOU ownership would be constrained to the consideration of the Deferral Value of the DER solution offered." Although this excerpt was focused on IOU ownership issues, it is also applicable to PG&E's reluctance to solicit third-party-ownership DERs for additional product attributes beyond distribution deferral capacity.

Fairness of Bidding and Selection Process

Please evaluate the fairness of the IOU's bidding and selection process (i.e., quantitative and qualitative methodology used to evaluate the bids, consistency of evaluation methods with criteria specified in the bid documents, etc.).

In the RFO's first phase, on February 19, 2021, PG&E received offers (via the Power Advocate web-platform), with Sedway Consulting receiving offers directly from Participants via flash-drive after that deadline, as requested in the RFO Protocol. Table 2 shows the number of offers received and MWs offered by technology type per Decision 06-06-066[8].

Table 2
PG&E 2021 DIDF Phase 1 MWs Offered by Technology Type

Technology Type	# Offers	MWs Offered
IFOM Energy Storage	1	2
BTM Distributed Generation/Energy Storage	1	0.3
BTM Energy Storage	4	2

In the RFO's second phase, PG&E received offer information specific to the Blackwell location on June 14, 2021. Sedway Consulting received such information shortly afterward. Table 3 shows the number of offers received and MWs offered by technology/ownership type.

Table 3
PG&E 2021 DIDF Phase 2 MWs Offered by Technology/Ownership Type

Technology Type	# Offers	MWs Offered
IFOM Energy Storage – third-party ownership	1	3
IFOM Energy Storage – utility ownership	1	3

[8] D.06-06-066, Appendix 1, IOU Matrix, p.18, Item VIII A) Bid Information: "Total number of projects and megawatts bid by resource type (e.g. fossil, wind, solar, hydro-electric, etc.) – public after final contracts submitted to CPUC for approval"

Sedway Consulting and PG&E performed parallel evaluations of the offers received in both phases of the RFO. In the first phase, when it was clear that not enough offers were received to meet any of the distribution deferral needs, Sedway Consulting held discussions and researched contingency options with PG&E as described in Confidential Appendix A. Ultimately, PG&E and Sedway Consulting agreed to conclude the first phase of the 2021 DIDF RFO without contracting any offers. PG&E notified the CAM PRG of this decision on March 4, 2021 and notified Participants that they were not selected on March 5, 2021.

In the RFO's second phase, although there was sufficient capacity proposed to meet the Blackwell need, there were no cost-effective offers submitted. Sedway Consulting's parallel evaluation confirmed this and both Sedway Consulting and PG&E agreed that the RFO's second phase should be concluded without contracting any offers. On July 6, 2021, PG&E notified the CAM PRG of this decision and issued a Participant offer rejection communication as well.

In evaluating the fairness of PG&E's process in both of the RFO phases, Sedway Consulting employed the following principles:

1. Did the design and/or administration of the RFO inappropriately favor one Participant or product over another?

2. Were the selection criteria flexible enough or structured in a way to facilitate PG&E acquiring sufficient capacity to meet distribution system needs as specified in the RFO?

3. Were the IOU's evaluation criteria and methodologies reasonable and appropriate and applied in a fair and non-discriminatory manner for all offers received?

Sedway Consulting concluded that PG&E's evaluation process was designed to treat all Participants fairly, employing a consistent methodology that did not favor or disadvantage any Participant or product. Sedway Consulting's parallel evaluation allowed the IE to confirm and cross-check PG&E's conclusions and ensure that all Participants' offers were being evaluated fairly and consistently with the evaluation criteria specified in the RFO evaluation documents (and/or anchored with the IE prior to the receipt of offers).

Overall, Sedway Consulting affirms that PG&E provided consistent information and conducted the 2021 DIDF solicitation negotiations in a fair and appropriate manner. Additional details are confidential and described in this report's Confidential Appendix A.

> Describe project-specific negotiations. Highlight any areas of concern including unique terms and conditions.

Sedway Consulting team members monitored communications between PG&E and Participants and participated in follow-up phone calls with Participants. Since no Participants were shortlisted, there were no contract negotiations.

> If applicable, describe safeguards and methodologies employed by the IOU to compare affiliate bids or UOG ownership proposals. If a utility selected a bid from an affiliate or a bid that would result in utility asset ownerships, explain and analyze whether the IOU's selection of such bid(s) was appropriate.

In the first phase of the RFO, there were no affiliate bids or UOG (utility owned generation) DER proposals. By design, the first phase of PG&E's 2021 DIDF RFO solicited only third party owned offers. In essence, the distribution investments for each of the locations represented the utility-owned alternative to the DER proposals. The deferral value of the investments were calculated and included in the RFO Protocol for all potential Participants to review and decide whether they might be able to offer cost-effective DERs (i.e., offers with proposed pricing/payments that had NPVs that were less than the location's deferral value).

The second phase of the RFO expanded the eligible set of offers from just third-party-ownership offers to also allow for build-own-transfer offers where the DER would ultimately be owned by PG&E. Regardless of the offer type, the payments/costs associated with the DER still had to be cost-effective relative to the Blackwell location's deferral value. There were no cost-effective offers of any type received in the RFO's second phase.

> Based on the complete bid process, is (are) the IOU contract(s) the best overall offer(s) received by the IOU?

No contracts resulted from PG&E's 2021 DIDF RFO.

If the contract does not directly reflect a product solicited and bid in an RFO, is the contract superior to the bids received on the products solicited in the RFO? Explain.

No contracts resulted from PG&E's 2021 DIDF RFO.

Is the contract a reasonable way of achieving the need identified in the RFO?

No contracts resulted from PG&E's 2021 DIDF RFO.

Conclusion

Based on your analysis of the RFO bids, the bid process, and the overall market, does the contract merit Commission approval? Explain.

Sedway Consulting believes that PG&E conducted a fair and effective solicitation and evaluation of the offers that it received in response to its 2021 DIDF RFO. All offers were evaluated consistently, appropriately, and without bias.

Sedway Consulting was provided access to all necessary materials and meetings and was able to parallel PG&E's process with its own evaluation of the proposals. Sedway Consulting reviewed PG&E's results and did not find any bias for or against any proposals in PG&E's selection decisions.

Sedway Consulting monitored the back-and-forth email traffic between PG&E and the Participants and believes that PG&E treated all Participants consistently and fairly.

Sedway Consulting concludes that PG&E made the appropriate decision in its 2021 DIDF RFO to close the RFO with no executed contracts.

Based on the complete bid process, should some component(s) be changed to ensure future RFOs are fairer or provide a more efficient, lower cost option?

The first phase of PG&E's 2021 DIDF RFO solicited offers for six distribution deferral needs with a total of 12 requirements. While this approach provided many opportunities for Participants to develop a wide array of offers, it may have had a negative effect in providing too many options, diffusing the bidding community's attention, and decreasing the likelihood of Participants submitting enough offers at any one location to meet the location's needs. An RFO that included only one or two of the best opportunities/locations might have helped focus the Participants' offer development and resulted in a working portfolio of offers. For instance, the Willow Pass Bank 1 distribution deferral need had the highest deferral value, only two grid needs, and no charging restrictions (as was the case with two of the other locations) that would otherwise prohibit energy storage solutions. Narrowing the DIDF RFO down to Willow Pass Bank 1 may have helped Participants focus their limited resources on the best distribution deferral opportunity.

Recommendation #1: Sedway Consulting recommends that PG&E consider narrowing the locational options in future DIDF RFOs to a smaller set of distribution system upgrade projects (e.g., 1-3) that have high deferral values, no charging limitations, and uncomplicated needs.

Another area for potential RFO improvement could involve providing Participants more time for offer development. PG&E's schedule for the first phase of the DIDF RFO as listed in Advice Letter 6002-E included 30 days from issuance of the RFO until the offer due date. That is a tight offer development period. This short turnaround time is due in part to the requirement that contracts be filed with the CPUC within 6 months of approval of the DIDF solicitations.[9] It is worth noting that while the RFO timeline appeared tight between the launch of the RFO and when offers were due, most locations solicited (Greenbrae excepted) were identified as Tier 1 candidates for distribution deferral in PG&E's DDOR Report filed on August 17, 2020 and draft individual requirements were published in Advice Letter 6002-E[10,11] on November 16, 2020, almost two months before

9 Proceeding R.14-08-013, Ruling on the Application of the Competitive Solicitation Framework for Distribution Investment Deferrals in the Distribution Resource Planning Proceeding, November 19, 2018 at 6.

10 PG&E's 2020 Distribution Deferral Opportunity Report, 8/17/2020, p.24, Table 12

11 PG&E Advice Letter 6002-E, 11/16/2020, p. 9, Table 3

the RFO was launched. This gave Participants some additional lead time before the actual DIDF RFO offers were due. However, it is unclear whether this lead time was helpful. Understandably, Participants are probably reluctant to invest time and money in exploring DER opportunities at specific locations until it is clear that such locations will definitely be included in an RFO.

In any case, in reviewing the originally proposed RFO schedule prior to launch, Sedway Consulting recommended that PG&E extend the time given to Participants for offer development. PG&E took two steps. First, PG&E sent out a market notice on December 24, 2020, notifying Participants about the upcoming issuance of the 2021 DIDF RFO. Second, PG&E extended the offer submittal deadline from 30 days after the RFO was issued to 39 days.

Recommendation #2: For future solicitations, Sedway Consulting recommends extending the time given to Participants to develop offers to at least a month and a half. This could be done by either shortening the time for shortlisting and negotiations or, when necessary to finalize negotiations and contracts, requesting extensions per DIDF reform #43.

As a potential RFO and DER dispatch enhancement, Sedway Consulting brought up an issue with PG&E during the Phase 1 evaluation process that involves the expected dispatch of DERs. PG&E's current assumption is that contracted DERs need to be able to provide their full contract capacity in every hour over the entire daily range of hours in which a substation is projected to have any need. That full contract capacity has to cover the peak need. However, many of the other need hours around that peak hour have lower capacity requirements. By requiring a "block" dispatch of DERs, PG&E is requiring more generation in these other hours than is needed. As an example, using PG&E's current dispatch assumptions, a location with a peak need of 5 MW and a need period of six hours each day would require a DER to provide 30 MWh of energy over the daily need period. However, the actual overload need might only be half that much if several of those need hours only required one or two MW. If this location's need was to be addressed with an energy storage DER, a 5 MW/30 MWh system (arguably oversized) would certainly cost more than a 5 MW/15 MWh system. PG&E countered that its day-ahead "block" dispatch for DIDF DERs was easier for its distribution operators to manage, perhaps operationally easier for the DER owners, and did not require the telemetry, monitoring equipment, or controls for dispatching DERs in a manner that would match a substation's hourly needs. These are good points. Clearly, the dynamic dispatch concept would be more complicated and incur additional costs, but the offsetting benefits of lower-cost DERs may be worth it.

IE Recommendation #3: Sedway Consulting encourages PG&E to give this dynamic dispatch versus "block" dispatch more thought. Ultimately, it could allow DERs to be better sized to address DIDF needs and thereby lower their costs. In a similar vein, for locations where the annual need is projected to increase over the deferral period, PG&E

should consider allowing DER Participants to propose resources that could be built-out in phases rather than building to the maximum capacity in year 1 if that capacity is not needed until year 7. This could result in lower-cost DERs.

PACIFIC GAS AND ELECTRIC COMPANY

Attachment B2

Independent Evaluation (IE)

(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