

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



**Pacific Gas & Electric Company**  
**ELC (Corp ID 39)**  
**Status of Advice Letter 6755E**  
**As of February 16, 2023**

Subject: Information-Only: Executed Contracts Pursuant to the May 11, 2020 Administrative Law Judge's Ruling Modifying the Distribution Investment Deferral Framework Filing and Process Requirements

Division Assigned: Energy

Date Filed: 11-08-2022

Date to Calendar: 11-11-2022

Authorizing Documents: None

<b>Disposition:</b>	<b>Accepted</b>
<b>Effective Date:</b>	<b>11-08-2022</b>

Resolution Required: No

Resolution Number: None

Commission Meeting Date: None

CPUC Contact Information:

[edtariffunit@cpuc.ca.gov](mailto:edtariffunit@cpuc.ca.gov)

AL Certificate Contact Information:

Stuart Rubio

(415) 973-4587

[PGETariffs@pge.com](mailto:PGETariffs@pge.com)

**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- Disposition of Filing (Accepted, Rejected, Withdrawn, etc.)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](mailto:edtariffunit@cpuc.ca.gov)**

November 8, 2022

**Advice 6755-E**

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

**Subject: Information-Only: Executed Contracts Pursuant to the May 11, 2020 Administrative Law Judge's Ruling Modifying the Distribution Investment Deferral Framework—Filing and Process Requirements**

**Purpose**

In accordance with Revised Reform #41<sup>1</sup> in the Administrative Law Judge's Ruling on Recommended Reforms for the Distribution Investment Deferral Framework Process (Ruling), issued June 21, 2021, Pacific Gas and Electric Company (PG&E) respectfully submits this information-only advice letter providing details of executed contracts that includes a project description, summary of bid and procurement outcomes, and the executed contracts from PG&E's Fall 2021 Distribution Investment Deferral Framework (DIDF) Request for Offers (RFO).

**Background**

On August 14, 2014, the California Public Utilities Commission (Commission or CPUC) instituted Rulemaking (R.) 14-08-013 to establish policies, procedures, and rules to guide the California investor-owned utilities (IOUs) in developing their Distribution Resource Plan (DRP) proposals. This rulemaking also established new polices to evaluate the IOUs' existing and future electric distribution infrastructure and planning procedures with respect to incorporating Distributed Energy Resources (DERs) into the planning and operations of their electric distribution systems.

As part of the Distribution Investment Deferral Framework (DIDF) process in R.14-08-013, the IOUs were required to submit a Tier 2 Advice Letter for contract approval within 6 months of approval of their DIDF solicitation. To improve the process and explore opportunities to further streamline contract execution, the Ruling determined that the Tier 2 Advice Letter requesting for contract approval could be eliminated and that the IOUs could instead submit an information-only submittal upon contract execution.<sup>2</sup> The Tier 2

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<sup>1</sup> June 21, 2021 DIDF Improvements Ruling, p. 9

<sup>2</sup> May 11, 2020 DIDF Improvements Ruling, p.66

Advice Letter requesting for contract approval was removed in Revised Reform #41 and replaced by an Information-Only Submittal upon contract execution<sup>3</sup>.

### **Project Description**

PG&E has executed contracts for Distributed Energy Resources for three Candidate Deferral Opportunities: Mormon Bank 2 in San Joaquin County, Lakeview 1110 in Kern County, and Saratoga 1102 in Santa Clara County. Table 1 outlines the DER service requirements below<sup>4</sup>. Since each Candidate Deferral Opportunity may mitigate one or more grid needs (i.e., Mormon Bank 2), there may be one or more sets of DER Service Requirements for a given Candidate Deferral Opportunity. All the DER Service Requirements for a given Candidate Deferral Opportunity are necessary to defer the investment.

*Table 1: DER Service Requirements*

Deferral Need	Grid Need Location	Grid Need (MW)	Delivery Month Range	Days/Year	Delivery	Hours Duration	Delivery Day Range	Online Date	Deferral Term (Years)
Mormon Bank 2	Mormon 1102	0.75	Jun-Jul	41	5PM-10PM	4	Mon-Sun	6/1/2025	6
	East Stockton Bank 3	0.31	Aug-Sep	45	12PM-7PM	2	Mon-Fri	6/1/2025	6
Lakeview 1110	Lakeview 1106	CC	CC	CC	CC	CC	CC	5/1/2024	7
Saratoga 1102	Saratoga 1106	CC	CC	CC	CC	CC	CC	5/1/2026	5

### **Summary of Bid and Procurement Outcomes**

PG&E sought offers at six Candidate Deferral Opportunities in its Fall 2021 DIDF RFO. PG&E received viable offers for three of those locations, which are summarized above. PG&E engaged in negotiations with viable counterparties, and asked Sellers to provide a “best and final” offer, prior to making a final execution decision. PG&E executed contracts with Sunnova (Mormon Bank 2), White Pine Renewables (Lakeview) and Swell (Saratoga). All the executed contracts were for offers less than the Cost Effectiveness

<sup>3</sup> June 21, 2021 DIDF Improvements Ruling, p. 9

<sup>4</sup> Customer confidential (CC) DER service requirements are provided in Appendix B2

Cap.<sup>5</sup> To the extent there are contingency costs, PG&E will track any contingency costs in its Distributed Energy Resources Distribution Deferral Account (DERDDA) and will seek recovery for costs reasonably incurred in its General Rate Case.<sup>6</sup> Appendix A provides a summary of the evaluation of all offers from the Fall 2021 DIDF RFO.

### **Executed Contract**

The executed contracts are included as Appendices C-E.

### **Protests**

This is an information-only advice letter submittal. Pursuant to General Order 96-B Section 6.2, PG&E is not seeking relief through this advice letter and is not subject to protest.

### **Effective Date**

PG&E requests that this information-only advice letter become effective upon date of submittal, which is November 8, 2022.

### **Notice**

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically to parties shown on the attached list and the parties on the service lists for R.14-08-013 and R.21-06-017. 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

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<sup>5</sup> The cost effectiveness cap is based on the indicative deferral value calculated using the Real Economic Carrying Charge (RECC) methodology as described in PG&E's Demo B final report, section 8.2, <http://drpwg.org/wp-content/uploads/2016/07/R1408013-PGE-Demo-Projects-A-B-Final-Reports.pdf>

<sup>6</sup> Rulemaking (R.) 14-08-013, Administrative Law Judge's Ruling Modifying the Distribution Investment Deferral Framework—Filing and Process Requirements, Att. A, Item 51 (May 11, 2020).

Confidential Attachments:

Appendix A: Summary of Evaluation of All Offers and Costs

Appendix B2: Final IE Report

Appendix C1: Distribution Services Agreement

Appendix C2: Distribution Services Agreement

Appendix D: Distribution Services Agreement

Appendix E: Distribution Services Agreement

Public Attachments:

Appendix B1: Final IE Report

cc: Service Lists R.14-08-013 and R.21-06-017



# 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) #: 6755-E

Tier Designation: info-only

Subject of AL: Information-Only: Executed Contracts Pursuant to the May 11, 2020 Administrative Law Judge's Ruling Modifying the Distribution Investment Deferral Framework—Filing and Process Requirements

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 #:

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: Satvir Nagra, satvir.nagra@pge.com

Resolution required?  Yes  No

Requested effective date: 11/8/22

No. of tariff sheets: 0

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

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

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

Tariff schedules affected: N/A

Service affected and changes proposed<sup>1</sup>: N/A

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

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

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

California Public Utilities Commission  
Energy Division Tariff Unit Email:  
[EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@cpuc.ca.gov)

Contact Name: Sidnev Bob Dietz II. c/o Megan Lawson  
Title: Director, Regulatory Relations  
Utility/Entity Name: Pacific Gas and Electric Company  
  
Telephone (xxx) xxx-xxxx: (415)973-2093  
Facsimile (xxx) xxx-xxxx:  
Email: PGETariffs@pge.com

Contact Name:  
Title:  
Utility/Entity Name:  
  
Telephone (xxx) xxx-xxxx:  
Facsimile (xxx) xxx-xxxx:  
Email:

CPUC  
Energy Division Tariff Unit  
505 Van Ness Avenue  
San Francisco, CA 94102

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, Satvir Nagra, am a Director of Asset Planning within Pacific Gas and Electric Company (“PG&E”), a California corporation. Martin Wyspianski, the Vice President of Electric Engineering, Asset, and Regulatory 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): Advice Letter 6755-E

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3. Title and description of document(s):

- Appx\_A\_Summary-of-Evaluation-of-All-Offers-and-Costs\_CONF.xlsx
- Appx\_B2\_PG&E-2021-Fall-DIDF-RFO-SOC-IE-Report-Final-AppxA\_CONF
- Appx\_C1\_DSA\_PGE\_Sunnova\_Mormon1102\_CONF.pdf
- Appx\_C2\_DSA\_PGE\_Sunnova\_EastStocktonBank3\_CONF.pdf
- Appx\_D\_DSA\_PGE\_AFTW\_Lakeview1106\_CONF.pdf
- Appx\_E\_DSA\_PGE\_Swell\_Saratoga1106\_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
<input checked="" type="checkbox"/>	<p>Customer-specific data, which may include demand, loads, names, addresses, and billing data</p> <p>(Protected under PUC § 8380; Civ. Code §§ 1798 <i>et seq.</i>; Govt. Code § 6254; Public Util. Code § 8380; Decisions (D.) 14-05-016, 04-08-055, 06-12-029)</p>	<p>Redacted information in Advice Letter 6755-E;</p> <p>Entirety of Attachment A: Summary of Offers and Valuation (CONF);</p> <p>Entirety of Attachment B2: Independent Evaluation Report for Pacific Gas &amp; Electric’s Fall 2021 Distribution Investment Deferral Framework Request for Offers and 2021 Standard Offer Contract Tariff Pilot – Appendix A (CONF);</p> <p>Entirety of Attachment C1: DSA_PGE_Sunnova_Mormon1102 (CONF);</p> <p>Entirety of Attachment C2: DSA_PGE_Sunnova_EastStocktonBank3 (CONF);</p> <p>Entirety of Attachment D: DSA_PGE_AFTW_Lakeview1106 (CONF);</p> <p>Entirety of Attachment E: DSA_PGE_Swell_Saratoga1106 (CONF).</p>
<input type="checkbox"/>	<p>Personal information that identifies or describes an individual (including employees), which may include home address or phone number; SSN, driver’s license, or passport numbers; education; financial matters; medical or employment history (not including PG&amp;E job titles); and statements attributed to the individual</p>	

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(Protected under Civ. Code §§ 1798 *et seq.*; Govt. Code § 6254; 42 U.S.C. § 1320d-6; and General Order (G.O.) 77-M)

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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)

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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)

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Redacted information in Advice Letter 6755-E;  
Entirety of Attachment A: Summary of Offers and Valuation (CONF);  
Entirety of Attachment B2: Independent Evaluation Report for Pacific Gas & Electric’s Fall 2021 Distribution Investment Deferral Framework Request for Offers and 2021 Standard Offer Contract Tariff Pilot – Appendix A (CONF);  
Entirety of Attachment C1:  
DSA\_PGE\_Sunnova\_Mormon1102 (CONF);  
Entirety of Attachment C2:  
DSA\_PGE\_Sunnova\_EastStocktonBank3 (CONF);  
Entirety of Attachment D:  
DSA\_PGE\_AFTW\_Lakeview1106 (CONF);  
Entirety of Attachment E:  
DSA\_PGE\_Swell\_Saratoga1106 (CONF).

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Corporate financial records  
(Protected under Govt. Code §§ 6254(k), 6254.15)

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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)

Redacted information in Advice Letter 6755-E;  
Entirety of Attachment A: Summary of Offers and Valuation (CONF);  
Entirety of Attachment B2: Independent Evaluation Report for Pacific Gas & Electric’s Fall 2021 Distribution Investment Deferral Framework Request for Offers and 2021 Standard Offer Contract Tariff Pilot – Appendix A (CONF);  
Entirety of Attachment C1: DSA\_PGE\_Sunnova\_Mormon1102 (CONF);  
Entirety of Attachment C2: DSA\_PGE\_Sunnova\_EastStocktonBank3 (CONF);  
Entirety of Attachment D: DSA\_PGE\_AFTW\_Lakeview1106 (CONF);  
Entirety of Attachment E: DSA\_PGE\_Swell\_Saratoga1106 (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 3<sup>rd</sup> day of November, 2022 at San Francisco, California.

Satvir Nagra  
Satvir Nagra  
Director  
Pacific Gas and Electric Company

PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)

ATTACHMENT TO DECLARATION

11/03/2022

ATTACHMENT NAME	DOCUMENT NAME	CATEGORY OF CONFIDENTIALITY	LOCATION
Appx_A_Summary-of-Evaluation-of-All-Offers-and-Costs_CONF.pdf	Summary of Evaluation of all Offers and Costs (CONF)	Proprietary and trade secret information or other intellectual property and protected market sensitive/competitive data (Protected under Civ. Code §§3426 <i>et seq.</i> ; Govt. Code §§ 6254, <i>et seq.</i> , e.g., 6254(e), 6254(k), 6254.15; Govt. Code § 6276.44; Evid. Code §1060; D.11-01-036)	All pages within document.
Appx_A_Summary-of-Evaluation-of-All-Offers-and-Costs_CONF.pdf	Summary of Evaluation of all Offers and Costs (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.
Appx_B2_PG&E-2021-Fall-DIDF-RFO-SOC-IE-Report-Final-AppxA_CONF.pdf	IE Report – Appendix A (CONF)	Proprietary and trade secret information or other intellectual property and protected market sensitive/competitive data	All pages within document.

ATTACHMENT NAME	DOCUMENT NAME	CATEGORY OF CONFIDENTIALITY	LOCATION
		(Protected under Civ. Code §§3426 <i>et seq.</i> ; Govt. Code §§ 6254, <i>et seq.</i> , e.g., 6254(e), 6254(k), 6254.15; Govt. Code § 6276.44; Evid. Code §1060; D.11-01-036)	
Appx_B2_PG&E-2021-Fall-DIDF-RFO-SOC-IE-Report-Final-AppxA_CONF.pdf	IE Report – Appendix A (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.
Appx_C1_DSA_PGE_Sunnova_Mormon1102_CONF.pdf	Distribution Services Agreement - Pacific Gas and Electric - Sunnova (CONF)	Proprietary and trade secret information or other intellectual property and protected market sensitive/competitive data  (Protected under Civ. Code §§3426 <i>et seq.</i> ; Govt. Code §§ 6254, <i>et seq.</i> , e.g., 6254(e), 6254(k), 6254.15; Govt. Code § 6276.44; Evid. Code §1060; D.11-01-036)	All pages within document.

ATTACHMENT NAME	DOCUMENT NAME	CATEGORY OF CONFIDENTIALITY	LOCATION
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Appx_C2_DSA_PGE_Sunnova_EastStocktonBank3_CONF.pdf	Distribution Services Agreement - Pacific Gas and Electric - Sunnova (CONF)	Proprietary and trade secret information or other intellectual property and protected market sensitive/competitive data  (Protected under Civ. Code §§3426 <i>et seq.</i> ; Govt. Code §§ 6254, <i>et seq.</i> , e.g., 6254(e), 6254(k), 6254.15; Govt. Code § 6276.44; Evid. Code §1060; D.11-01-036)	All pages within document.
Appx_C2_DSA_PGE_Sunnova_EastStocktonBank3_CONF.pdf	Distribution Services Agreement - Pacific Gas and Electric - Sunnova (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.

ATTACHMENT NAME	DOCUMENT NAME	CATEGORY OF CONFIDENTIALITY	LOCATION
Appx_D_DSA_PGE_AFTW_Lakeview1106_CONF.pdf	Distribution Services Agreement - Pacific Gas and Electric - AFTW (CONF)	Proprietary and trade secret information or other intellectual property and protected market sensitive/competitive data (Protected under Civ. Code §§3426 <i>et seq.</i> ; Govt. Code §§ 6254, <i>et seq.</i> , e.g., 6254(e), 6254(k), 6254.15; Govt. Code § 6276.44; Evid. Code §1060; D.11-01-036)	All pages within document.
Appx_D_DSA_PGE_AFTW_Lakeview1106_CONF.pdf	Distribution Services Agreement - Pacific Gas and Electric - AFTW (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.
Appx_E_DSA_PGE_Swell_Saratoga1106_CONF.pdf	Distribution Services Agreement - Pacific Gas and Electric - Swell (CONF)	Proprietary and trade secret information or other intellectual property and protected market sensitive/competitive data (Protected under Civ. Code §§3426 <i>et seq.</i> ; Govt. Code §§ 6254, <i>et seq.</i> , e.g.,	All pages within document.

ATTACHMENT NAME	DOCUMENT NAME	CATEGORY OF CONFIDENTIALITY	LOCATION
		6254(e), 6254(k), 6254.15; Govt. Code § 6276.44; Evid. Code §1060; D.11-01-036)	
Appx_E_DSA_PGE_Swell_Saratoga1106_CONF.pdf	Distribution Services Agreement - Pacific Gas and Electric - Swell (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.

## **Appendix A**

Summary of Evaluation of All Offers and Costs

(Confidential)

# **Appendix B1**

Final IE Report

(Public)

**Sedway Consulting, Inc.**

INDEPENDENT EVALUATION  
REPORT  
FOR PACIFIC GAS & ELECTRIC'S  
FALL 2021 DISTRIBUTION INVESTMENT  
DEFERRAL FRAMEWORK  
REQUEST FOR OFFERS  
AND  
2021 STANDARD OFFER CONTRACT  
TARIFF PILOT

*Submitted by:*

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

October 24, 2022

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CONFIDENTIAL APPENDIX A: EVALUATION RESULTS

## Introduction and Background

On September 15, 2021, Pacific Gas & Electric (PG&E) issued the following two Distribution Investment Deferral Framework (DIDF) solicitations:

- Fall 2021 DIDF Request for Offers (RFO), and
- 2021 DIDF Standard Offer Contract (SOC Pilot).

This Independent Evaluator (IE) report covers both the RFO and the SOC Pilot.

Both the RFO and SOC Pilot were launched to procure distributed energy resources (DERs) to avoid or defer utility distribution investments in compliance with California Public Utilities Commission (CPUC) Decision (D.)18-02-004, D.21-02-006 (issued February 11, 2021), and Resolution E-5190 (issued January 31, 2022). In the solicitations, DERs were sought for the following deferral locations:

- RFO
  - Mormon Bank 2 (1.06 MW at two grid need locations)
  - Ripon 1705 (4.57 MW at two grid need locations)
  - French Camp Bank 1 (confidential need)<sup>1</sup>
  - Lakeview 1110 (confidential need)
  - Newhall Bank 3 (confidential need)
  - Saratoga 1102 (confidential need)
- SOC Pilot
  - Vierra Bank 3 (confidential need)

In order to defer the distribution system upgrades at any one location, PG&E solicited products that, either individually or in combination, would address the entire need at each deferral location with each deferral location having one or more grid needs. Each deferral location opportunity had independent needs and requirements; thus the RFO and SOC Pilot essentially consisted of a separate, independent solicitation for each deferral location.

## Fall 2021 DIDF RFO and SOC Pilot Overview

The RFO and SOC Pilot have the same goal of soliciting DERs to defer or replace distribution system upgrades. The RFO used the same process as prior DIDF RFOs while

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<sup>1</sup> PG&E redacts data that violate the 15-15 customer privacy rule. A 15-15 violation occurs if the load is comprised of less than 15 customers or a single customer contributes to more than 15% of the total load. In order to obtain access to the confidential solicitation materials, PG&E directed Participants to send a completed and executed Non-Disclosure and Use of Information Agreement to PG&E via email.

the SOC Pilot used a similar but streamlined process. Table 1 below outlines the differences between the two.

<p align="center"><b>Table 1</b>  <b>PG&amp;E Fall 2021 DIDF RFO and 2021 DIDF SOC Pilot</b>  <b>Solicitation Differences</b></p>		
	<b>Fall 2021 DIDF RFO</b>	<b>2021 SOC Pilot</b>
Eligible Product Types	Behind-the-meter (BTM) and In-front-of meter (IFOM) DERs <sup>2</sup>	IFOM DERs <sup>3</sup>
Contract	Negotiable TNPF	Standard TNPF
Pricing type	Offer pricing (\$/kW-month and/or \$/MWh)	Simple Auction Pricing Method (\$/kW-month)
Threshold to sign contracts	100% of grid need met	90% of grid need met <sup>4</sup>
Minimum Offer Size	0.5 MW except where the grid need is less, then the minimum is the grid need	0.5 MW
Maximum Offer Size	200% of grid need	120% of grid need
Preferred Offer Sizing	100% of grid need	50% or 100% of grid need
Published deferral value	Total dollar value	Total dollar value, and Cost Cap (in \$/kW-month) <sup>5</sup>

Table 2 shows the schedules for the both the RFO and SOC Pilot. One key difference between the RFO and SOC Pilot was that the SOC Pilot used a non-negotiable Technology Neutral Pro Forma (TNPF) agreement while the RFO TNPF remained

<sup>2</sup> Includes 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.

<sup>3</sup> Includes Energy Storage, Renewable Distributed Generation (DG), and Non-Renewable Distributed Generation that would reduce GHG emissions reductions over the resource’s lifecycle.

<sup>4</sup> The 90% threshold has since been clarified to not apply to the SOC Pilot but to a different PG&E program: 2022 Reform Ruling, section 3.1, p. 13, “This Ruling clarifies that the acceptance trigger only applies to the Partnership Pilot.”

<sup>5</sup> The Cost Cap is equal to the \$/kW-month offer price that a Participant could offer to just meet the deferral value, in present value terms. Any offer price below the Cost Cap would be cost effective; any offer price above the Cost Cap would not be cost effective.

negotiable.<sup>6</sup> Therefore, the SOC Pilot schedule was condensed compared to the RFO since no contract negotiations were expected for the SOC Pilot.

<p align="center"><b>Table 2</b>  <b>PG&amp;E Fall 2021 DIDF RFO and 2021 DIDF SOC Pilot</b>  <b>Protocol Solicitation Schedules</b></p>			
<b>Activity</b>	<b>DIDF RFO</b>	<b>SOC Pilot Original Schedule</b>	<b>SOC Pilot Modified Schedule</b>
Issue RFO and SOC Pilot	Sept 15, 2021	Sept 15, 2021	Sept 15, 2021
Participants' Webinar	Sept 29, 2021	Sept 24, 2021	Sept 24, 2021
Offers Due	Nov 17, 2021	Nov 5, 2021	Jan 5, 2022
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 an Agreement.	Dec 1, 2021	Nov 19, 2021	Jan 21, 2022
Participants notify PG&E whether they accept their status and acknowledge acceptance of the Confidentiality Agreement	Dec 8, 2021	Nov 26, 2021	Jan 28, 2022
Execute Transactions	Feb 21, 2021	Jan 3, 2021	Mar 1, 2022
File transactions at CPUC	Mar 15, 2021	Jan 17, 2021	Mar 14, 2022

For the SOC Pilot, the original schedule had offers due on November 5, 2021. Based on DPAG Survey Feedback from California Energy Storage Alliance (CESA), PG&E extended the offer submission deadline to January 5, 2022 to “provide additional time for land acquisition and site control, recognizing that recent reforms have already led to greater lead time.”<sup>7</sup> Extended SOC Pilot schedules requiring a minimum 75-day window between solicitation launch and the offer submission deadline will now be required in future SOC Pilot solicitations per the 2022 DIDF Reform Ruling.<sup>8</sup>

<sup>6</sup> Proposed changes to the TNPF for the SOC Pilot were filed in PG&E Advice Letter 6193-E on June 28, 2021.

<sup>7</sup> Distribution Planning Advisory Group (DPAG) Follow Up Webinar, 10/22/2021, slides 18 and 49

<sup>8</sup> Administrative Law Judge’s Ruling on Recommended Reforms for the Distribution Investment Deferral Framework Process, the Partnership Pilot and the SOC Pilot, filed 6/16/22, Attachment A, p.2,” SOC bids due no sooner than 75 days after launch.”

PG&E’s RFO Protocol and SOC Pilot 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.

### *RFO Requirements*

The RFO solicited offers for DERs that might defer distribution system investments at any of the following six locations, with the first two locations having sub-needs (“A” and “B”) that both had to be met to defer the location’s distribution system investment:

**Mormon Bank 2** requirements, starting June 1, 2025 for a 6-year term:

- A: 0.75 MW at Mormon 1102 for 4 hours duration between 5:00 pm and 10:00 pm every day of the week from June-July with a maximum of 41 calls per year.
- B: 0.31 MW at East Stockton Bank 3 for 2 hours duration between 12:00 pm and 7:00 pm weekdays from August-September with a maximum of 45 calls per year.

**Ripon 1705** requirements, starting June 1, 2024 for a 7-year term:

- A: 3.48 MW at Ripon 1704 for 7 hours duration between 3:00 pm and 10:00 pm every day of the week from June-September with a maximum of 122 calls per year. Offers that increased loading on the bank were not viable for this requirement (e.g. energy storage requiring charging from the grid) due to capacity constraints on Ripon 1704.
- B: 1.09 MW at Manteca Bank 7 for 3 hours duration between 5:00 pm and 8:00 pm every day of the week from July-August with a maximum of 52 calls per year. Offers that increased loading on the bank were not viable for this requirement (e.g. energy storage requiring charging from the grid) due to capacity constraints on Ripon 1704.

**French Camp Bank 1** consisted of one grid need at French Camp Bank 1 with a needed online date of May 1, 2024. Requirements were confidential per CPUC D.14-05-016. PG&E provided the requirements for French Camp Bank 1 to Participants who signed a Non-Disclosure and Use of Information Agreement. Offers that increased loading on the bank were not viable for this requirement (e.g. energy storage requiring charging from the grid) due to capacity constraints on French Camp Bank 1.

**Lakeview 1110** consisted of one grid need at Lakeview 1106 with a needed online date of May 1, 2024. Requirements were confidential per CPUC D.14-05-016. PG&E

provided the requirements for Lakeview 1110 to Participants who signed a Non-Disclosure and Use of Information Agreement.

**Newhall Bank 3** consisted of one grid need at Newhall 1109 with a needed online date of June 1, 2024. Requirements were confidential per CPUC D.14-05-016. PG&E provided the requirements for Newhall Bank 3 to Participants who signed a Non-Disclosure and Use of Information Agreement.

**Saratoga 1102** consisted of one grid need at Saratoga 1106 with a needed online date of May 1, 2026. Requirements were confidential per CPUC D.14-05-016. PG&E provided the requirements for Saratoga 1102 to Participants who signed a Non-Disclosure and Use of Information Agreement.

Offers could be for either BTM or IFOM projects. 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).

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.

#### *SOC Pilot Requirements*

The SOC Pilot solicited offers for DERs that might defer distribution system investments at the following location:

**Vierra Bank 3** consisted of one 2-3 MW grid need of that could be met at Manteca Bank 6, Manteca 1704, or Manteca 1705 with a needed online date of May 1, 2024. Specific requirements were confidential per CPUC D.14-05-016. PG&E provided the requirements for Vierra Bank 3 to Participants who signed a Non-Disclosure and Use of Information Agreement.

Offers could be for projects that would be located in-front-of-the-meter (IFOM) only. The SOC Pilot 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). Eligible product types included ES, DG, and Non-Renewable Distributed Generation that would reduce GHG emissions reductions over the resource's lifecycle,

For the RFO, Participants could submit offers as low as 0.5 MW (or less if the deferral need was less than 0.5 MW) and as high as 200% of the deferral need. If a Participant submitted an offer greater than the need, then they were required to submit another offer that would just meet the need.

For the SOC Pilot, Participants were encouraged to submit Offers that met either 100% or 50% of the need. Offers could not exceed 120% of the need MW amount nor could they be less than 0.5 MW. In both the RFO and SOC Pilot, 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.

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 RFO 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-month). For all other eligible product types, Participants were asked to provide the capacity offered, a capacity price (in \$/kW-month), and/or a variable price (in \$/MWh) 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.

PG&E gave all RFO 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. Since the SOC Pilot was only soliciting IFOM resources, no customer engagement support would be needed from PG&E.

Participants of both the RFO and SOC Pilot 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.

For the RFO, Energy Efficiency Participants had the option of having their offers evaluated for incrementality on a project-specific basis or with a pre-specified, deferral location specific overlap factor 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.<sup>9</sup>

### *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.<sup>10</sup> In addition, on May 11, 2020, the CPUC issued a ruling specifying an expanded IE scope of work for DIDF implementation.

From the May 2022 ruling, the final DIDF RFO report is to include an assessment of PG&E’s RFO solicitations 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.

Subsequently, on January 31, 2022, the CPUC issued Resolution E-5190 requiring that the IE to complete a combined IE DIDF RFO/SOC Report.<sup>11</sup> To quote:

*“This report is the same as identified in the May 11, 2020, Ruling under the Independent Evaluator scope of work but with the addition of the SOC. The IE will complete a report on each investor-owned utility (IOU) analyzing RFO and SOC process, compliance, outcomes, and any other aspects of the IE scope of work and as directed by Energy Division. The IE will also provide recommendations for future RFO and SOC improvements. The 2023 report will provide recommendations of whether SOC projects should be launched in year 3 of the pilot based on data from years 1 and 2.”<sup>12</sup>*

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<sup>9</sup> The overlap factor was 10% at Mormon Bank 2, French Camp Bank 1, Newhall Bank 3, and Saratoga 1102, and 5% at Lakeview 1110 and Ripon 1705.

<sup>10</sup> 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).

<sup>11</sup> Resolution E-5190, Attachment B, Page 2, Standard Offer Contract Pilot Evaluation Timeline.

<sup>12</sup> Resolution E-5190, Attachment B, Page 1.

Resolution E-5190 required that the IE complete an IE DIDF RFO/SOC Report by February 14, 2022.<sup>13</sup> At the time, offer considerations and/or active negotiations with counterparties were still underway for both the RFO and SOC Pilot and a final report could not be issued. Therefore, Sedway Consulting provided an IE Interim DIDF RFO/SOC Report (IE Interim Report) on February 15, 2022.

Most of the criteria for this IE DIDF RFO/SOC 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]<sup>14</sup>, 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 and Resolution E-5190, 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 and SOC Pilot processes. 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.<sup>15</sup>

## **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

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<sup>13</sup> Resolution E-5190, Attachment B, Page 2, Standard Offer Contract Pilot Evaluation Timeline.

<sup>14</sup> 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.

<sup>15</sup> “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.

Consulting reviewed PG&E's RFO and SOC Pilot documents, outreach efforts, evaluation processes, modeling methodologies, communications with bidders, and evaluation and selection results.

Members of the IE team:

- reviewed and commented on the RFO Protocol and other materials prior to their issuance,
- participated in PG&E's September 29, 2021 Participants' webinar for the DIDF RFO,<sup>16</sup>
- 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,<sup>17</sup>
- 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, and
- was provided Procurement Review Group (PRG) emails in which the DIDF RFO and SOC Pilot offer information and shortlisting results were conveyed.

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.

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<sup>16</sup> Sedway Consulting was not retained as the IE for the SOC Pilot until October 18, 2021. Therefore, Sedway Consulting did not review the SOC Pilot solicitation materials before launch of the pilot and did not attend the Participants' webinar.

<sup>17</sup> Bidders were instructed to provide either physical delivery of a USB thumb drive or email 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 sections of its company website to each of the solicitations, providing a means for interested parties to download the Protocols/Instructions and related materials. PG&E released a notice to over 2,500 market participants on August 16, 2021 that the RFO and SOC Pilot would be issued on September 15, 2021 and encouraged potential participants to begin reviewing potential deferral locations and grid needs as specified in the Distribution Deferral Opportunity Report (DDOR) filed on August 15, 2021. On the RFO and SOC Pilot launch date of September 15, 2021, PG&E again notified market participants and CPUC service list contacts from the utility's RFO Distribution List that the solicitations had been released and invited them to participate.

On November 16, 2021, PG&E emailed a reminder of the deadline to submit offers for the RFO. Similarly, PG&E emailed a notification about an extension of the schedule for the SOC Pilot on October 27, 2021 and then a reminder about the SOC Pilot deadline on January 3, 2022.

Sedway Consulting concluded that PG&E did an adequate job of publicizing both solicitations and received a reasonable number of offers for both the RFO and SOC Pilot.

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 SOC Pilot and that the provided materials were clear.

Sedway Consulting reviewed the solicitation packages, the websites, 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 for each location were included within the RFO and SOC Pilot Protocols per D.18-02-004 Ordering Paragraph 2q.

On September 24, 2021 and September 29, 2021, PG&E held a Participants' webinars to provide overviews of the SOC Pilot and RFO solicitations respectively. The webinars provided Participants opportunities to learn more about the solicitations, hear presentations, and ask questions. Sedway Consulting attended the webinar for the RFO. There were additional opportunities to ask questions via email following the webinars, with Sedway Consulting included on those email exchanges.

**IE Recommendation #1:** In past years, PG&E would post relevant webinar presentations, transcripts, and Q&A on its website soon after the webinars were completed. For the RFO and SOC Pilot, these items were eventually posted after requests from Sedway Consulting but not until November for the RFO and December for the SOC Pilot. Sedway Consulting recommends that PG&E post the webinar, transcripts, and Q&A materials soon after the webinar date.

PG&E received a reasonable number of offers for a subset of the deferral locations and shortlisted offers at three of the six RFO deferral locations. No offers were shortlisted for the Vierra Bank 3 SOC Pilot location because, following the receipt of offers, the PG&E SOC Pilot team received an update from the utility's distribution planners that the Vierra Bank 3 need had increased substantially (by many multiples of the original need). Given the size of the increase, PG&E did not believe that requesting substantially larger offers from the Participants was appropriate. Sedway Consulting agreed. SOC Participants were notified on April 4, 2022 that the current SOC Pilot was being terminated.

## **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.)

There were two parts of the evaluation process used in the RFO and SOC Pilot:

- Part 1: Evaluation of the Offers Received
- Part 2: SOC Pilot Success Evaluation

## *Part 1: Evaluation of the Offers Received*

PG&E used the “Least Cost Best Fit” (LCBF) methodology to evaluate offers for both the RFO and SOC Pilot. Although the SOC Pilot is a streamlined process, the evaluation of the offers received was much like the RFO. Each offer received was evaluated not only for its cost-effectiveness but also its qualitative viability.

The initial stage of PG&E’s evaluation process for both the RFO and SOC Pilot entailed screening the offers for compliance with and general responsiveness to the respective solicitation protocols.

The second stage of the evaluation process was to determine if there were enough offers to meet 100% of the need of any of the deferral locations through either stand-alone or portfolios of combined offers.<sup>18</sup>

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

For both the RFO and SOC Pilot, the monthly costs include an offer’s fixed pricing, variable pricing (RFO only), and contract administrative costs. 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 values of each deferral location within the RFO and SOC Pilot Protocols and are shown in Table 3.

In addition, the SOC Pilot Offer Form included a Cost Cap in \$/kW-month which provided Participants a maximum “cost effective” offer price. This Cost Cap was calculated by determining the offer price that would result in a present value of costs equal to the deferral value. While this gave Participants a maximum value compared to PG&E’s investment, Participants also competed against other bidders and thus were incentivized to provide their minimum acceptable price.

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<sup>18</sup> The DIDF SOC Pilot and Partnership Pilot each had an Acceptance Trigger for signing contracts of 90% of the need (Resolution E-5190, Figure 2) but the 2022 DIDF Reform Ruling (filed 6/16/2022, p.13) clarified that the 90% Acceptance Trigger does not apply to the SOC Pilot.

<b>Table 3 PG&amp;E RFO and SOC Pilot Deferral Values</b>			
<b>Deferral Need Location</b>	<b>Project Cost (\$000)</b>	<b>Deferral Term (years)</b>	<b>Deferral Value (\$000)</b>
RFO			
Mormon Bank 2	16,680	6	7,026
Ripon 1705	1,900	7	1,588
French Camp Bank 1	6,500	Confidential	2,531
Lakeview 1110	4,496	Confidential	3,759
Newhall Bank 3	6,500	Confidential	2,522
Saratoga 1102	5,092	Confidential	2,914
SOC Pilot			
Vierra Bank 3	11,900	7	7,971

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. In addition to the quantitative evaluation, a series of additional factors such as project and interconnection viability and fit are also considered.

In the IE Interim Report, Sedway Consulting made three process improvement recommendations and PG&E noted in their 2022 DIDF reform comments that they plan to incorporate these recommendations.<sup>19,20</sup> The three recommendations included:

**IE Interim Report Recommendation (IE Recommendation #2):** While PG&E publishes each deferral opportunity’s deferral value and provides details on how Participants would be paid in the Technology Neutral Proforma Agreement, it may not always be clear to Participants whether their offers are priced appropriately.

1. Add a worksheet within the Excel based Offer Forms for both the RFO and SOC Pilot that calculates the total payments, by month, that a Participant would receive based on the offer price they have input into the Offer Form. Participants could then verify how they would be paid (e.g. during the months of need, not payments every month of the year) and the total amount of revenue they would expect from the contract.

<sup>19</sup> PG&E’s Annual Distribution Investment Deferral Framework Reform and Pilot Reform Comments, p.6 (April 4, 2022).

<sup>20</sup> Independent Evaluation Interim Report for Pacific Gas & Electric’s 2021 Distribution Investment Deferral Framework Request for Offers and Standard Offer Contract Tariff Pilot, p. 10 (February 14, 2022).

2. Include a present value comparison to the relevant Deferral Value in the RFO Offer Form. This could be done in the new worksheet and would be similar to the information provided by the Cost Cap in the SOC Pilot but would include any offer variable costs.

**IE Interim Report Recommendation (IE Recommendation #3):** PG&E included limited interconnection information within its RFO and SOC Pilot webinar and protocols. While PG&E has a reasonable expectation that Participants should understand the interconnection process and timelines, the challenges and details of the interconnection process may deserve further emphasis from PG&E. Because distribution deferral opportunities are, by definition, located in constrained areas, PG&E gives guidance that Participants should familiarize themselves with interconnection rules and understand that the Fast-Track process may not be available to them at the location of the grid need.<sup>21</sup> Including more information about the interconnection process in the RFO materials may help participants develop more competitive offers.

**IE Interim Report Recommendation (IE Recommendation #4):** PG&E should consider adding more information in the SOC Pilot materials stating that the Technology-Neutral Pro Forma (TNPF) contract that is issued with the solicitation is non-negotiable and making the TNPF a fillable PDF to make it abundantly clear to Participants that the SOC Pilot is a streamlined process. While PG&E stated in the SOC Pilot Protocol that “PG&E does not expect to negotiate with Participants” and changes to the TNPF in preparation for the SOC Pilot were addressed in Advice Letter 6193-E where stakeholders had time to submit comments on the TNPF, this point may not have been clear to all Participants.

#### *Incrementality*

PG&E provided guidance to Participants regarding incrementality in their RFO and SOC Pilot documents and webinars, 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 about incrementality 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.

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<sup>21</sup> For example, SOC Pilot webinar transcript, p. 7, paragraph 3

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.

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.

## *Part 2: SOC Pilot Success Evaluation*

In addition to evaluating offers for contract purposes, Resolution E-5190 Attachment A outlines the evaluation criteria assessment activities for both the SOC Pilot and Partnership Pilot which look at the success of the pilots including criteria items such as procurement margins, cost effectiveness, incrementality, and off-ramp considerations.

The evaluation criteria assessment activities consist of two phases: the Procurement phase and the Performance and Reliability phase. Since this is the first year of the SOC Pilot and there are no projects installed and operating, this report only covers the Procurement phase and relevant parts of the performance measure criteria for the SOC Pilot.

The questions to analyze in the Procurement phase include:<sup>22</sup>

- Were sufficient DERs procured to meet the grid need? If not, why?
- Were DERs cost-effective compared to the planned investment?
- Of the projects selected for piloting, how many were successfully procured for? What is the percentage?

In addition, there are several performance measure questions to be answered for the SOC Pilot including:

- Acceptance Trigger
  - Is 90% the appropriate trigger level?
  - How many projects met 90% of the need? 100%? 120%?
  - How did the type of project (size, location, etc.) affect each procurement milestone of the pilot differently?
  - Cycle time from launch to 90% (acceptance trigger), 100% (full need), and 120% ( procurement margin)
  - Cycle time between each milestone
  - # of Deferrals that hit 90%, 100%, and 120%

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<sup>22</sup> Resolution E-5190 Attachment A, Figure 2, Procurement Results

- SOC Price Sheet
  - Did bidders tend to bid at the same price? If not, what was the standard deviation?
  - Price points and deferral value, number of bidders at each.

The SOC Pilot procurement phase success evaluation criteria is discussed later in this report. Although the Acceptance Trigger criteria are listed for the SOC Pilot, these performance measure questions seem to apply more to the Partnership Pilot and are not discussed here. The SOC Price Sheet criteria is confidential and discussed in Confidential Appendix A.

Sedway Consulting believes that PG&E’s evaluation process complied with the CPUC’s LCBF criteria for both the RFO and SOC Pilot. 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.

## **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.).

PG&E received offers (via the Power Advocate web-platform) for the RFO on November 17, 2021, with Sedway Consulting receiving offers directly from Participants via flash-drive after that deadline, as requested in the RFO Protocol. Table 4 shows the number of projects offered and MWs offered by technology type per Decision 06-06-066<sup>23</sup>. Of the six deferral locations solicited in the RFO, two received no offers: Ripon 1705 and French Camp Bank 1. These two locations had charging restrictions where offers that increased loading on the bank were not viable; thus, energy storage offers that did not have their own combined generation supply were ineligible. This invariably made these locations less attractive to Participants. The deferral locations that did receive offers did not have charging restrictions.

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<sup>23</sup> 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”

<b>Table 4 PG&amp;E Fall 2021 DIDF RFO MWs Offered by Technology Type</b>		
<b>Technology Type</b>	<b># Projects</b>	<b>MWs Offered</b>
IFOM Energy Storage	3	3.5
BTM Distributed Generation/Energy Storage	5	3.2
BTM Energy Storage	4	3.0

Similarly, PG&E received offers for the SOC Pilot on January 5, 2022. Table 5 shows the number of projects offered and MWs offered by technology type.

<b>Table 5 PG&amp;E 2021 SOC Pilot MWs Offered by Technology/Ownership Type</b>		
<b>Technology Type</b>	<b># Projects</b>	<b>MWs Offered</b>
IFOM Energy Storage	2	6.9

Sedway Consulting and PG&E performed parallel evaluations of the offers received in both the RFO and SOC Pilot.

On December 8, 2021, Sedway Consulting and PG&E discussed the offers received for the DIDF RFO and agreed to shortlist offers for three deferral locations: Mormon Bank 2, Lakeview 1110, and Saratoga 1102. Similarly, on January 13, 2022, Sedway Consulting and PG&E discussed the offers received for the SOC Pilot and agreed to shortlist offers for Vierra Bank 3. PG&E notified the counterparties for the DIDF RFO on December 22, 2021 regarding their shortlist status. Regarding the SOC Pilot, the Vierra Bank 3 needs were in flux, so PG&E decided to hold off on the shortlisting notification process. Indeed, PG&E subsequently determined that the Vierra Bank 3 need had increased significantly and notified counterparties on April 4, 2022 that the pilot was being terminated.

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

1. Did the design and/or administration of the RFO or SOC Pilot 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 and SOC Pilot?

\_\_\_\_\_ Sedway Consulting, Inc. \_\_\_\_\_

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 and SOC Pilot 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 RFO and SOC Pilot 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.

## **RFO Negotiation Phase**

### *RFO Need Changes During Negotiation Phase*

At the end of January, 2022, PG&E notified Sedway Consulting that the anticipated needs were changing at each of the RFO deferral locations with shortlisted offers: Mormon Bank 2, Lakeview 1110, and Saratoga 1102. PG&E discussed the forecast changes and plan with Sedway Consulting and Sedway agreed with PG&E's plan to maintain the requirements as specified in the RFO Protocol and move forward with negotiations.

### *RFO Best-and-Final Offers*

At the beginning of June 2022, PG&E notified the shortlisted RFO counterparties that due to market changes and the extended negotiation period, PG&E would be giving them an opportunity to provide an update to their offer pricing. Counterparties provided updates to their pricing on June 22, 2022. Both PG&E and Sedway Consulting evaluated the best-and-final prices and concurred on the final selection decisions. On July 1, 2022, PG&E notified three counterparties of their intention to complete negotiations and sign contracts.

PG&E signed contracts with three counterparties for DERs at Mormon Bank 2, Lakeview 1110, and Saratoga 1106. Contracts were executed on August 31, 2022, September 25, 2022 and October 19, 2022 respectively.

## **SOC Pilot Negotiation Phase**

### *SOC Pilot Need Changes During Negotiation Phase*

On January 26, 2022, PG&E notified Sedway Consulting of a large load increase at Vierra Bank 3 that could significantly influence the viability of any project being able to defer the need. On March 29, 2022, PG&E notified Sedway Consulting that due to a large increase in load and complexity of the deferral location need at Vierra Bank 3, they would be terminating the 2021 SOC Pilot. The increased load forecast included new customer applications for service that increased the load forecast from 2-3 MW to more than 11 MW with a 10-hour duration making energy storage charging infeasible as a DER solution. As a result, PG&E filed a notice to suspend the SOC Pilot on May 5, 2022.<sup>24</sup>

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.

There were no affiliate bids or UOG (utility owned generation) proposals submitted in the RFO or SOC Pilot. That said, the distribution investments represented the utility-owned alternative to the DER proposals. The deferral value the investments were provided and verified by Sedway Consulting prior to the receipt of offers and formed the basis for developing the PAV and cost/benefit ratios used in the shortlisting selection decisions.

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<sup>24</sup> Advice Letter 6583-E filed May 5, 2022

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

### **Mormon Bank 2**

PG&E's RFO has resulted in the execution of two contracts for Mormon Bank 2 with Sunnova Energy Corporation. One contract is for 0.75 MW of BTM capacity on the Mormon 1102 feeder with an expected Initial Delivery Date of June 1, 2025 and the other contract is for 0.31 MW of BTM capacity at East Stockton Bank 3, with an expected Initial Delivery Date of August 1, 2025.

Both contracts are for systems comprised of roof-top photovoltaic (PV) solar systems that can include onsite BTM energy storage systems (ESS), and the addition of load control devices and/or generators and/or fuel cells located along the relevant feeders.

Sedway Consulting believes that the two Mormon Bank 2 contracts represent the best overall offers received in the RFO for the Mormon Bank 2 requirements.

### **Saratoga 1106**

PG&E's RFO has resulted in the execution of one contract for Saratoga 1106 with Swell Energy VPP Fund 2022-II LLC (Swell). The contract is for 1.09 MW of BTM capacity with an expected Initial Delivery Date of May 1, 2026. The contract is for customer-sited dispatchable DERs, including solar photovoltaics paired with battery energy storage systems.

Sedway Consulting believes that the contract with Swell represents the best overall offer received in the RFO for the Saratoga 1106 requirements listed in the RFO protocol.

### **Lakeview 1110**

PG&E's RFO has resulted in the execution of one contract for Lakeview 1110 with AFTW Storage, LLC (a subsidiary of White Pine Renewables). The contract is for 1.056 MW of IFOM capacity with an Expected Initial Delivery Date of June 1, 2024. The contract is for a Lithium-ion battery energy storage system to be interconnected at Lakeview 1106.

Sedway Consulting believes that the contract with AFTW Storage/White Pine represents the best overall offer received in the RFO for the Lakeview 1110 requirements listed in the RFO protocol.

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.

The contracts being submitted with PG&E's Information Only filing directly reflect the products solicited in PG&E's RFO. All contracts signed are for the requirements set forth in the RFO Protocol.

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

Yes, Sedway Consulting believes that the contracts are reasonable ways to achieve the need identified in the RFO. In addition, the contracts will give PG&E experience in contracting DERs for potential distribution deferral.

#### SOC Pilot Success Evaluation: Procurement phase

- Were sufficient DERs procured to meet the grid need? If not, why?
- Were DERs cost-effective compared to the planned investment?
- Of the projects selected for piloting, how many were successfully procured for? What is the percentage?
  
- SOC Price Sheet
  - Did bidders tend to bid at the same price? If not, what was the standard deviation?
  - Price points and deferral value, number of bidders at each.

An adequate number of offers were received in the SOC Pilot. The offers could meet the requirements as outlined in the SOC Pilot protocol and were cost-effective relative to the original deferral value. Due to significant need changes at Vierra Bank 3, including not

only size but also charging limitations that no longer made IFOM ES a viable option, PG&E determined that the deferral location was no longer a good candidate for distribution investment deferral. Therefore, no DERs were procured in the SOC Pilot for Vierra Bank 3.

The SOC Price Sheet questions are addressed in Confidential Appendix A.

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

Technically, as directed in Reform #41 in the May 11, 2020 Ruling and as updated in the Admin Law Judge's June 21, 2021 Ruling on Recommended Reforms for the Distribution Investment Deferral Framework Process, the DIDF RFO executed contracts do not require Commission approval. That said, Sedway Consulting supports the execution of these contracts and believes that PG&E conducted fair and effective solicitations and evaluations of the offers that it received in response to its RFO and SOC Pilot. All offers were evaluated consistently, appropriately, and without bias.

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?

### *Charging Restrictions*

Of the six distribution deferral locations solicited in the RFO, two did not receive any offers. Both locations had charging restrictions while the others did not, which may again reflect that it is difficult for DERs (most of which tend to be energy-storage-based) to meet deferral requirements that do not allow charging.

**IE Recommendation #5:** Sedway Consulting recommends that PG&E consider narrowing the locational options in future DIDF solicitations to a small set of distribution system upgrade projects that have high deferral values, no charging limitations, and uncomplicated needs.

## Changing Forecasts

Forecast changes have been a significant factor negatively impacting the success of acquiring DERs for distribution deferral. Sedway Consulting commends PG&E's efforts to adjust their RFO process and requirements to reduce the impact of forecast uncertainty. In the RFO, PG&E allowed offers up to 200% of a forecasted grid need requirement and asked Participants to provide information about the flexibility of sizes of their offers. For the SOC Pilot, PG&E allowed offers up to 120% of the grid need.

However, even with these allowed ranges of offered capacity, there is no getting around the fact that forecasted distribution needs at any one location can fluctuate significantly from one year to the next. To illustrate the difficulty of soliciting DERs that are linked to one year's exact forecast, Sedway Consulting researched the history of forecasted maximum loadings for the Ripon 1704 location and noted how they have changed significantly over the last five GNA cycles. Ripon 1704 is being used as an example because 1) it has a full set of publicly available forecast data, and 2) it was included in the Fall 2021 DIDF RFO. However, other locations have shown similar variability.

Table 6 depicts the maximum expected loading (over the five-year distribution planning horizon) for the Ripon 1704 substation which has a rated limit of 14.42 MW. Thus the GNAs for the 2018, 2019, and 2020 cycles did not indicate an expectation of overloads at the substation. However, the 2021 and 2022 GNA filings did. Clearly, with maximum expected loadings ranging from approximately 12 MW under the location's rated limit to almost 3.3 MW over the rated limit, it can be seen that forecasting DIDF needs is challenging.

<b>GNA Vintage</b>	<b>Maximum Expected Loading (MW)</b>
2018	4.67
2019	2.28
2020	12.32
2021	17.71
2022	16.22

Sedway Consulting has no qualms with or opinions regarding how forecasting is being completed in PG&E's distribution planning process. Sedway Consulting is also a strong proponent of DERs but has concerns that the DIDF solicitations, as currently structured,

may not represent the best process for integrating DERs into the grid. PG&E is proposing to address the problem of forecasting variances by not considering forecast changes during the course of the RFO negotiation process. It is commendable that PG&E attempts to adjust its processes and commitments to set aside forecast uncertainty and variability while an RFO is underway. Unfortunately, this will not address the underlying problem of soliciting DERs to address volatile needs.

One consideration may be to solicit DERs on a broader scale. Instead of soliciting for specific grid needs, perhaps soliciting DERs for areas with known growth, congestion, or other attributes (e.g., Public Safety Power Shutoff areas) on a broader basis would be more successful at procuring DERs. Directly tying DERs benefits and costs to distribution investment deferral benefits, as the DIDF solicitations do, would be harder to do with a broader procurement method, but the benefit would be that the procurement would be less tied to the variability of individual grid need forecasts.

**IE Recommendation #6:** Sedway Consulting recommends considering changes to the DIDF RFO to attempt to further reduce the impact of forecast uncertainty. For instance, consider exploring options and procurement methods that move away from soliciting DERs for very specific location needs and seek to address broader grid needs.

## **Conclusion**

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 decisions to execute contracts for RFO deferral locations Mormon Bank 2, Saratoga 1102, and Lakeview 1110 and to close the SOC Pilot with no executed contracts.

## **Appendix B2**

Final IE Report

(Confidential)

# **Appendix C1**

Distribution Services Agreement

(Confidential)

## **Appendix C2**

Distribution Services Agreement

(Confidential)

## **Appendix D**

Distribution Services Agreement

(Confidential)

# **Appendix E**

Distribution Services Agreement

(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.  
Braun Blasing Smith Wynne, P.C.  
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  
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  
Engineers and Scientists of California

GenOn Energy, Inc.  
Goodin, MacBride, Squeri, Schlotz &  
Ritchie  
Green Power Institute  
Hanna & Morton  
ICF  
International Power Technology

Intertie

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  
McClintock IP  
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.

Resource Innovations

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  
Stoel Rives LLP

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