

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



Pacific Gas & Electric Company
ELC (Corp ID 39)
Status of Advice Letter 6879E
As of June 13, 2023

Subject: Amendment to Mid-Term Reliability Contract approved in Advice Letter 6477-E

Division Assigned: Energy

Date Filed: 03-09-2023

Date to Calendar: 03-13-2023

Authorizing Documents: D2106035

Disposition:

Signed

Effective Date:

06-08-2023

Resolution Required: Yes

Resolution Number: E-5268

Commission Meeting Date: None

CPUC Contact Information:

edtariffunit@cpuc.ca.gov

AL Certificate Contact Information:

Annie Ho

(415) 973-8794

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- Disposition of Filing (Accepted, Rejected, Withdrawn, etc.)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

March 9, 2023

Advice 6879-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Amendment to Mid-Term Reliability Contract approved in Advice Letter 6477-E

I. Purpose

Pursuant to Decision (D.) 21-06-035, Pacific Gas and Electric Company (PG&E or the Utility) requests approval of an amendment (Amendment) to a transaction resulting from PG&E's 2021 Mid-Term Reliability Request for Offers – Phase 1 (MTR RFO – Phase 1) that was presented in Advice Letter 6477-E and approved by the California Public Utilities Commission (Commission or CPUC) in Resolution E-5202 on April 21, 2022 (Agreement).

The contract amendment included in this Advice Letter is necessary for PG&E to continue to make progress to meet the June 1, 2024, incremental September Net Qualifying Capacity (NQC) procurement requirements mandated in D.21-06-035. For the reasons described herein, the amendment presented by this advice letter is reasonable and in the interest of customers and should be approved.

II. Background

On June 30, 2021, the Commission issued D.21-06-035, which takes a number of steps to address the mid-term reliability needs of the electricity system within the California Independent System Operator Corporation's (CAISO) operating system beginning in 2023 due to the pending retirement of the Diablo Canyon Power Plant and the planned retirement of once-through-cooling (OTC) thermal plants in Southern California. In D.21-06-035, the Commission established requirements for incremental procurement of 11,500 MWs of additional NQC resources, of which PG&E is responsible for 2,302 MWs for its bundled service customer portion. Further, the Decision required delivery of at least 2,000 MW by August 1, 2023, an additional 6,000 MW by June 1, 2024, an additional 1,500 MW by June 1, 2025, and an additional 2,000 MW by June 1, 2026. In addition, D.21-06-035 requires that at least 2,500 MW of the resources procured by the LSEs collectively, between 2023 and 2025, be from zero-emission resources that generate electricity, or generation resources paired with storage, or demand response, to replace the current supply of energy from the Diablo Canyon Power Plant to ensure no resultant

increase in GHG emissions upon retirement of the plant.

Additionally, D.21-06-035 and subsequent Energy Division memorandum provide guidance for incremental effective load carrying capacity (ELCC) values to use for mid-term reliability procurement compliance,¹ affirms that the investor-owned utilities (IOUs) are to continue to act as the backstop procurement agents under the framework adopted in D.20-12-044 for Community Choice Aggregators (CCAs) and Energy Service Providers (ESPs) that fail to meet their procurement responsibilities of incremental system resources under the D.21-06-035.

D.21-06-035 outlined eligibility requirements for resources to meet the procurement obligations and requirements for the solicitation, including types of resources eligible (e.g., eligibility of imports) and minimum contract lengths.

In accordance with D.21-06-035, as a result of its MTR RFO – Phase 1 solicitation process PG&E executed nine agreements for a total of 1,598.7 MW of nameplate capacity. PG&E sought approval of those contracts on January 1, 2022 in Advice Letter 6477-E, which the Commission subsequently approved on April 21, 2022 in Resolution E-5202.

In the first quarter of 2022, several counterparties to the contracts approached PG&E expressing concerns regarding unprecedented changed market conditions which have rendered their projects commercially uneconomical. The counterparties citing such changed market conditions indicate that they are no longer able to complete their projects under the current price terms of their contracts. These parties have requested amendments to maintain the commercial economic viability of their projects and to allow them to complete the development of their projects to contribute to system reliability, as originally intended. On September 23, 2022, PG&E filed Advice Letter 6711-E, requesting approval of amendments to four such contracts. Resolution E-5243 adopted by the Commission on December 22, 2022, approved those amendments as reasonable in light of the changed market conditions.

Origis informed PG&E in late July 2022 that the Caballero CA Storage, LLC project was at risk of default due to the unprecedented increase in battery costs and other factors described in Appendix A. Origis approached PG&E with a request to amend the Agreement in order to avoid a default under the Agreement and maintain the commercial viability of the project. The Amendment negotiations with Origis extended beyond the September 23, 2022 filing date for the other MTR Phase 1 amendments referenced above. As such, PG&E was not able to include the Amendment with the earlier amendments as part of the earlier advice letter submitted in September 22, 2022.

¹ Energy Division staff e-mailed parties on October 22, 2021, with an updated Incremental ELCC Study for Mid-term Reliability Procurement, by E3 and Astrapé. The materials can be found on [IRP Procurement Track \(ca.gov\)](https://www.cpuc.ca.gov/IRP/ProcurementTrack)

A. Negotiation Background

Since the Agreement was executed with Origis in 2021, there has been unprecedented industry-wide market changes and inflationary pressure on project costs. Origis requested an amendment to the Agreement and a price increase in order for Caballero to remain commercially viable. The main drivers cited for the increased costs include:

- Battery prices have risen significantly due to dramatic increases in commodity prices for lithium carbonate and metals used in manufacturing lithium-ion batteries; this impacts both initial construction cost and ongoing augmentation costs to maintain capacity;
- Continued supply chain constraints;
- Balance of systems costs have been increasing due to high inflation affecting materials and labor costs; and
- Cost of capital has been increasing as the Federal Reserve has been raising interest rates to combat inflation.

Absent the price increase, Origis has expressed that it would not be able to build the project, and it would likely default under the contract.. Attachment A further describes the negotiation process with Origis.

B. SUMMARY OF AMENDED CONTRACT

The main terms of the Amendment are as follows:

	Technology	Initial Delivery Date	Term (Years)	Nameplate Size (MW)
Caballero CA Storage, LLC	Lithium Ion Batteries	6/1/2024	15	99.7

See confidential Attachment A for a description of the Amendment.

III. Procurement Review Group/Cost Allocation Mechanism

PG&E notified the Procurement Review Group about the Amendments on February 17, 2023.

IV. Confidentiality Treatment

In support of this advice letter, PG&E has provided the confidential information listed below. This information is being submitted in the manner directed by Decision (D.) 08-04-023 establishing procedures for complying with D.06-06-066 to demonstrate the confidentiality of the material and to invoke the protection of confidential utility information provided under Public Utilities Code section 454.5(g) or the Investor Owned Utility Matrix, Appendix 1 of D.06-06-066 and Appendix C of D.08-04-023. The Declaration of Don

Howerton seeking confidential treatment of confidential materials provided herein is being submitted concurrently with this advice letter.

Confidential Appendices

- Appendix A: Key Aspects to the Amendment to Mid-Term Reliability Contracts approved in Advice Letter 6477-E
- Appendix B: Caballero CA Storage, LLC – Caballero Energy Storage Project (LT RAA w/ES) Amendment

V. Protests

Anyone wishing to protest this submittal may do so by letter sent electronically via E-mail, no later than March 29, 2023, which is 20 days after the date of this submittal. Protests must be submitted to:

CPUC Energy Division
ED Tariff Unit
E-mail: EDTariffUnit@cpuc.ca.gov

The protest shall also be electronically sent to PG&E via E-mail at the address shown below on the same date it is electronically delivered to the Commission:

Sidney Bob Dietz II
Director, Regulatory Relations
c/o Megan Lawson
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 and 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).

VI. Effective Date

Pursuant to General Order (GO) 96-B, Rule 5.3, this advice letter is submitted with a Tier 3 designation. PG&E requests that this advice letter become effective upon Commission approval.

VII. 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 list



ADVICE LETTER SUMMARY

ENERGY UTILITY



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

Company name/CPUC Utility No.: Pacific Gas and Electric Company (ID U39 E)

Utility type:

- ELC GAS WATER
 PLC HEAT

Contact Person: Annie Ho

Phone #: (415) 973-8794

E-mail: PGETariffs@pge.com

E-mail Disposition Notice to: AMHP@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) #: 6879-E

Tier Designation: 3

Subject of AL: Amendment to Mid-Term Reliability Contract approved in Advice Letter 6477-E

Keywords (choose from CPUC listing):

AL Type: Monthly Quarterly Annual One-Time Other:

If AL submitted in compliance with a Commission order, indicate relevant Decision/Resolution #: D.21-06-035

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL:

Summarize differences between the AL and the prior withdrawn or rejected AL:

Confidential treatment requested? Yes No

If yes, specification of confidential information: See Confidentiality Declaration and Matrix Attachment
 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: Soumya Sastry, SVS6@pge.com

Resolution required? Yes No

Requested effective date:

No. of tariff sheets: N/A

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

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

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

Tariff schedules affected: N/A

Service affected and changes proposed¹: N/A

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

¹Discuss in AL if more space is needed.

Protests and 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

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: (415)973-3582
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**

**PACIFIC GAS AND ELECTRIC COMPANY
ADVICE LETTER FOR APPROVAL OF AMENDMENT TO
CONTRACT RESULTING FROM ITS MID-TERM
RELIABILITY - PHASE 1 REQUEST FOR OFFERS
PURSUANT TO DECISION 21-06-035 & DECISION 21-12-
015**

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

I, Soumya Sastry, declare:

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

2. Based on my knowledge and experience, and in accordance with the Decisions 06-06-066, 08-04-023, and relevant Commission rules, I make this declaration seeking confidential treatment for certain data and information contained in PG&E's Advice Letter amending a contract pursuant to Decision 21-06-035 and Decision 21-12-015.

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

I declare under penalty of perjury, under the laws of the State of California, that the foregoing is true and correct. Executed on May 9, 2023 at San Francisco, California.

/s/

Souyma Sastry

PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)

**ADVICE LETTER FOR APPROVAL OF AMENDMENT TO CONTRACT RESULTING FROM ITS
MID-TERM RELIABILITY REQUEST FOR OFFERS – PHASE 1 PURSUANT TO DECISION 21-06-035 and
DECISION 21-12-015**

March 9, 2023

IDENTIFICATION OF CONFIDENTIAL INFORMATION

Redaction Reference	Category from D.06-06-066, Appendix 1, or Separate Confidentiality Order That Data Corresponds To	PG&E’s Justification for Confidential Treatment	Length of Time
Confidential Appendices			
Appendix A: Key Aspects to the Amendment	Item VII.B (Contracts and Power Purchase Agreements between utilities and non-Affiliated Third Parties (except RPS)).	The terms of the Long-Term Resource Adequacy Agreement with Energy Settlement (LTRAA w/ES) presented in this appendix are generally confidential. The terms of this contract that are public pursuant to Item VII. B. are publicly disclosed in Section IV. Selected Projects.	Contract documents and terms of contracts are confidential for three years from the date that the contract states that deliveries are to begin, or until one year following expiration, whichever comes first.
Appendix B: Caballero CA Storage, LLC – Caballero Energy Storage Project (LT RAA w/ES) Amendment	Item VII.B (Contracts and Power Purchase Agreements between utilities and non-Affiliated Third Parties (except RPS)).	The terms of the Long-Term Resource Adequacy Agreement with Energy Settlement (LTRAA w/ES) presented in this appendix are generally confidential. The terms of this contract that are public pursuant to Item VII. B. are publicly disclosed in Section IV. Selected Projects.	Contract documents and terms of contracts are confidential for three years from the date that the contract states that deliveries are to begin, or until one year following expiration, whichever comes first.

Advice 6879-E
March 9, 2023

Appendix A

**Key Aspects to the Amendment to Mid-Term Reliability
Contracts approved in Advice Letter 6477-E**

(Confidential)

Advice 6879-E
March 9, 2023

Appendix B

**Caballero CA Storage, LLC – Caballero Energy Storage
Project (LT RAA w/ES) Amendment**

(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 Blaising 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
Downey Brand LLP
Dish Wireless L.L.C.

East Bay Community Energy Ellison
Schneider & Harris LLP
Engineers and Scientists of California

GenOn Energy, Inc.
Green Power Institute
Hanna & Morton
ICF

iCommLaw
International Power Technology
Intertie

Intestate Gas Services, Inc.

Johnston, Kevin
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