

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
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June 14, 2016

Advice Letter 4822-E

Erik Jacobson
Director, Regulatory Relations
Pacific Gas and Electric Company
77 Beale St., Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177
Email: PGETariffs@pge.com

Subject: Approval of Advice Letter 4822-E

Dear Mr. Jacobson:

The California Public Utilities Commission (Commission) adopted Resolution E-4770 on March 17, 2016, ordering Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE) and San Diego Gas & Electric Company (SDG&E) (collectively the Investor-owned utilities or IOUs) to hold a solicitation for facilities that can use feedstock from high hazard zones using the Renewable Auction Mechanism (RAM) procurement process and standard contract (BioRAM solicitation). Specifically, Resolution E-4770 ordered the IOUs to file Tier 2 Advice Letters consisting of a contract rider to be used along with the Commission-approved standard RAM contract and the solicitation documents. On April 7, 2016 PG&E submitted Advice Letter 4822-E requesting approval of a RAM contract rider to be used for a RAM auction targeting facilities that can use feedstock from high hazard zones. On June 1, 2016 PG&E filed a supplemental Advice Letter. On April 25, 2016 the Forest Service protested and the Independent Energy producers (IEP) responded to and on April 27, 2016 the California Biomass Energy Alliance (CBEA) protested Advice Letter 4822-E. Staff read and considered all comments but limits the discussion herein to only the relevant issues.

Project Development Security and Performance Security:

The IOU's standard RAM contract approved by D.15-12-025 requires all successful bidders to post performance security and development security bonds upon Commission approval of their contracts. CBEA protests the inclusion of the development and performance security for the BioRAM solicitation and suggests that the IOUs should make an exception for the BioRAM solicitation.

CBEA's protest is without merit. Performance and development security bonds are pre-approved contract terms in the standard RAM contract and can only be altered through a formal process.¹ Therefore, CBEA's protest that a successful bidder in the BioRAM solicitation should not have to pay a development security and a performance security is denied.

¹D.14-11-042 specified that the IOUs should submit their standard RAM contracts with the RPS plans for Commission approval

Minimum Fuel Requirement Shortfall:

In accordance with Resolution E-4770, PG&E offers facilities the option to either terminate the contract or to operate at the current ReMAT baseload price of \$89.23 /MWh for the duration of the contract once the facility can no longer meet the minimum required high hazard zone fuel requirement. PG&E filed a supplemental Advice Letter modifying its rider to give a facility that does not meet its annual minimum high hazard zone fuel requirement a one-time opportunity to request that the contract price be re-established in a future year. The Forest Service, CBEA, and IEP protest this provision.

The protests of the Forest Service, CBEA, and IEP ignore that the scope and timing of Resolution E-4770 are directed to address the Proclamation - to protect public safety and property from falling dead trees and wildfire. The authorized procurement is meant to incentivize facilities to use removed high hazard biomass fuel from high hazard zones. Resolution E-4770 does not allow any dilution of minimum fuel standards. Therefore, the protest of the Forest Service, CBEA, and IEP that the IOUs should revise the minimum fuel requirement shortfall in the BioRAM solicitation is denied.

Early Contract Termination Fee:

PG&E's RAM contract and solicitation documents require that an existing contract expire before the commercial operation date deadline for a new RAM contract. PG&E's proposes to relax this condition for the BioRAM solicitation to allow a project with an existing contract between the counterparty and PG&E to participate in BioRAM as long as the counterparty pays minimum damages for early termination, as stated in the existing contract.² CBEA protests this requirement on the basis that successful bidders will "provide the same amount of qualifying capacity in the same place as they always have, without interruption."

CBEA's protest is outside the scope of this disposition letter. This disposition letter cannot legally alter contract terms in PG&E's existing contracts. CBEA's protest that PG&E should not collect termination fees for its existing contracts is denied.

² PG&E will allow projects with existing contracts to bid into BioRAM, even if those contracts do not expire within 12 months of the BioRAM contract becoming effective. However, the Seller's PPA must expire within 24 months or Seller's PPA must have a price amendment that has expired or will expire within 24 months. The Seller must terminate any existing PPA prior to beginning deliveries under BioRAM, and if that PPA is with PG&E, the Seller must pay any applicable minimum damages for early termination under the existing contract, (page 4-AL 4822)

Conclusion

PG&E Advice Letter 4822-E is approved without modification on June 14, 2016.

Sincerely,

A handwritten signature in cursive script that reads "Edward Randolph".

Edward Randolph
Director, Energy Division