

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

Agenda ID 14949
RESOLUTION E-4783
July 14, 2016

RESOLUTION

Resolution E-4783. Resolution authorizing San Diego Gas & Electric Company's Power Purchase Agreement with Solar Frontier for the 97WI 8ME LLC project.

PROPOSED OUTCOME:

- Approval of San Diego Gas & Electric's (SDG&E) power purchase agreement with Solar Frontier for the 97WI 8ME LLC project.
- Orders SDG&E to procure additional megawatts to meet its Commission mandated Renewable Auction Mechanism target.

SAFETY CONSIDERATIONS:

- Renewable Auction Mechanism standard contracts contain Commission approved safety provisions.

ESTIMATED COST:

- Actual costs are confidential at this time.

By Advice Letter 2849-E, Filed on January 15, 2016.

SUMMARY

San Diego Gas & Electric Company's Power Purchase Agreement (PPA) with Solar Frontier for the 97WI 8ME LLC project is approved. SDG&E filed Advice Letter 2849-E on January 15, 2016, requesting California Public Utilities Commission (Commission) review and approval of a PPA with the 97WI 8ME project from Solar Frontier (Solar Frontier project). The PPA was executed pursuant to the Green Tariff Shared Renewables (GTSR) program. Pursuant to the proposed PPA, SDG&E will purchase renewable energy and associated Renewable Energy Credits from the 20 MW Solar Frontier project located in Imperial Valley.

SDG&E has not met its California Public Utilities Commission (Commission) mandated Renewable Auction Mechanism (RAM) targets. SDG&E is ordered to procure additional megawatts from the bids it received in its sixth RAM (RAM VI) solicitation.

BACKGROUND

On December 18, 2010, the Commission approved the RAM program by adopting Decision (D.)10-12-048 and directed Southern California Edison Company (SCE), Pacific Gas and Electric Company (PG&E), and SDG&E (collectively the Investor-owned Utilities or the IOUs) to hold four auctions over a two year period and to submit bidding protocols and standard contracts through Tier 3 advice letters. In August 2011, the IOUs' advice letters were approved with modification in Resolution E-4414, which adopted program implementation details, bidding protocols, and a standard RAM PPA. The Commission further refined the RAM program through Resolution E-4489 (April 19, 2012), Resolution E-4546 (November 8, 2012), Resolution E-4582 (May 9, 2013), Resolution E- 4655 (May 15, 2014), and D.14-11-042 (November 24, 2014). In D.14-11-042, the Commission authorized additional procurement and directed the IOUs to conduct a RAM VI solicitation. On February 2, 2015, the Commission issued D.15-01-051, which ordered the IOUs to begin advance procurement for the GTSR program using the RAM VI solicitation. In accordance with Senate Bill 43, D.15-01-051 also sets aside 100 MW for facilities no larger than 1 MW located in areas previously identified by the California Environmental Protection Agency as the most impacted and disadvantaged communities (Environmental Justice or EJ Reservation). SDG&E was ordered to procure at least 10.5 MW for advance GTSR procurement requirements with 1.75 MW in EJ Reservation.

NOTICE

Notice of AL 2849-E was made by publication in the Commission's Daily Calendar. SDG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section 4 of General Order 96-B.

PROTEST

On February 4, 2016 Rugraw LLC (Rugraw)¹ protested Advice Letter 2849-E. SDG&E responded on February 11, 2016 to Rugraw's protest. Staff read and considered Rugraw's comments but limits the discussion to relevant issues.

Rugraw asserts that SDG&E is discriminating against baseload bids by selecting bids after evaluating all product categories (peaking, non-peaking or baseload) together instead of evaluating bids within each product category separately. SDG&E responded that RAM is not a must-take obligation and that SDG&E compares the RAM bids relative to other renewable opportunities, not just those within a particular product category. D.10-12-048² authorized an IOU to solicit product-specific megawatts in a quantity that reflects an IOU's portfolio need and mandated that RAM bid prices must be adjusted by an IOU's time of delivery (TOD) factors before the bids are ranked and selected, so that the project's value relative to the IOU's portfolio is considered. SDG&E was not obligated to evaluate bids within each product category separately; therefore, Rugraw's protest that SDG&E is discriminating against baseload bids is denied.

Rugraw also asserts that they submitted a proposal in RAM VI and the PPA price submitted for the proposal in RAM VI was for less than the RAM IV PPA price. According to Rugraw, by definition, the RAM VI Rugraw proposal was price competitive to baseload bids received by SDG&E. Rugraw's claim is contrary to current RAM policy. Each RAM auction is a standalone auction. Any comparison of price between the average price of contracts in a previous RAM auction and bid price in a current RAM auction is irrelevant, as bid prices are compared against all other bids received in the same auction. Rugraw's protest that the RAM VI bid price is competitive based on its comparison with the RAM IV average contract price is denied.

DISCUSSION

Pursuant to D.15-01-051 and D.14-1-042, SDG&E filed Tier 2 advice letter 2849-E seeking approval of a contract towards its GTSR and RAM obligations.

¹ Rugraw LLC is the developer of the 5 MW Lassen Lodge Hydroelectric Project.

² D.10-12-048, Section 7.3

GTSR Procurement Requirements

Specifically, SDG&E is seeking approval of the 20 MW Solar Frontier project towards meeting its advanced procurement GTSR requirements. The proposed agreement is as follows:

Technology	Company Name	Project Name	Contract Capacity	Annual GWh	Project Location	Term (yrs)	COD
Solar PV	Solar Frontier	97WI8ME LLC (Midway Solar Farm) III)	20	58.3	Calipatria, CA (Imperial Valley)	20	Dec 1, 2017

The requirements of the D.15-01-051 (in italics) and how SDG&E complied with the requirements of D.15-01-051 are listed below:

- *Project size should range from 500 kW to 20 MW (measured by nameplate rating):* ³ The Solar Frontier project is 20 MW contract capacity and meets the size limit in D.15-01-051.
- *For advance procurement in 2015, the IOUs will rely on prices resulting from the existing RAM and ReMAT processes:* ⁴ In accordance with D.15-01-051, SDG&E used the RAM VI auction to procure the Solar Frontier project. SDG&E used its own quantitative price measure, the Bid Ranking Price⁵, to rank and select from the proposed projects for both RAM and GTSR. Once SDG&E established a Bid Ranking Price for each offer, it selected the projects with the least expensive Bid Ranking Price. In order to meet the GTSR procurement target, SDG&E considered the least expensive GTSR-eligible bids for GTSR procurement first and shortlisted the Solar Frontier project. Because the first shortlisted bid accepted its shortlisted position, SDG&E met its GTSR initial advanced procurement capacity targets with the least-cost bid, which is the Solar Frontier project.

³ D.15-01-051, page 36

⁴ D.15-01-051, page 38

⁵ The Bid Ranking Price is comprised of the levelized contract cost, as adjusted by the time of day adjustment, the transmission network upgrade cost adder and the deliverability adder

- *Projects must meet the same minimum viability requirements established for ReMAT and RAM:* ⁶ The PPA included in the Advice Letter as Appendix A includes the viability requirements established in RAM Decisions. SDG&E used the standard RAM contract for the Solar Frontier project.
- *Procurement is limited to the IOU's service territory but SDG&E may procure resources from Imperial Valley:* ⁷ The Solar Frontier project is located in Imperial Valley.

D.15-01-0518 also directed SDG&E to procure 1.75 MW in EJ Reservation. SDG&E has not demonstrated that it attempted to procure any megawatts from the EJ Reservation in Advice Letter 2849-E. While SDG&E did not comply with the EJ Reservation mandate of D.15-01-051, we will evaluate whether any sanction is required in the GTSR proceeding. The Solar Frontier project meets the requirement of D.15-01-051 and is reasonable.

RAM Procurement Requirements

SDG&E did not seek approval of any contracts towards meeting the RAM VI mandate of D.14-11-042 and previous RAM Decisions.⁹ The Commission mandated that SDG&E procure 164.7 MW over six RAM auctions. SDG&E procured 62.7 MW and has an overall shortfall of 102.3 MW (62% shortfall).

SDG&E asserts that D.10-12-048 gives IOUs the discretion to not enter into RAM contracts if prices are not cost competitive even if their allocated capacity cap has not been reached.¹⁰ However, SDG&E has over relied on the discretion provided in D.10-12-048.

⁶ D.15-01-051, page 38

⁷ D.15-01-051, Findings 32 and 33

⁸ D.15-01-051, Ordering Paragraph 8

⁹ D.10-12-048, D.12-02-002, D.12-02-035

¹⁰ "Finally, we provide the IOUs with discretion to reject bids from an auction under two circumstances: there is evidence of market manipulation, or the prices are not competitive. An IOU may reject an entire auction's results based on such an assessment or reject individual bids even before their allocated capacity cap has been reached. If an IOU wishes to utilize this discretion, it shall demonstrate in an advice letter filing to the Commission why bids were rejected before the capacity cap was exhausted." (D.10-12-048, page 36)

- SDG&E explains that for RAM VI, SDG&E initially sought to shortlist one bid and contingently shortlist four other bids subject to follow-up with respondents on those bids. It is not clear why SDG&E would initially shortlist one 20 MW project to meet a RAM shortfall of 102.3 MW, especially given that 13 separate bidders responded to its RAM VI solicitation for a total of 35 conforming bids.¹¹ SDG&E did not shortlist enough bids to meet its target in the RAM VI auction.
- SDG&E argues that the remaining bids were “not cost competitive,” consequently, SDG&E did not shortlist any additional bids. The basis SDG&E uses for rejecting bids is that the bids were not the top 10% of bids in terms of bid ranking price in the RAM VI solicitation. A bid not being in the top 90 percentile of RAM bids is not sufficient evidence to establish that it is unreasonable and uncompetitive relative to the “IOU’s other renewable opportunities” or even other RAM bids. Also, RAM has become increasingly competitive over the years; therefore, a bid not being a top 10% bid does not automatically make it unreasonable. SDG&E has not demonstrated that the unselected bids in the RAM VI solicitation are not reasonable.

SDG&E further asserts that not meeting its RAM targets is reasonable on the grounds that it does not have an RPS need.¹² While the Commission agrees that SDG&E is forecasted to meet its RPS requirements, SDG&E is ignoring that D.10-12-048 authorized RAM as a procurement opportunity for smaller renewable energy projects that are eligible for the California RPS Program but are not able to participate in the RPS annual solicitation, and not just to fulfill RPS need.¹³ RAM and several other RPS programs adopted by the Commission

¹¹ Advice Letter 2849-E, page 21

¹² SDG&E’s RPS position 33% in 2015.

¹³ “This decision authorizes a new procurement process called the Renewable Auction Mechanism, or RAM, for the procurement of smaller renewable energy projects that are eligible for the California Renewables Portfolio Standard (RPS) Program. The RAM is a simplified and market-based procurement mechanism for large investor-owned utilities (IOU). The Commission adopts RAM as a primary contracting tool for this market segment because doing so will promote competition and elicit the lowest costs for ratepayers, encourage the development of resources that can utilize existing transmission and distribution infrastructure, and contribute to RPS goals in the near term. We expect RAM to complement the RPS Program by reducing transaction costs and providing a procurement opportunity for smaller RPS-eligible

Footnote continued on next page

have been approved to promote the growth of renewable segments and are not solely based on RPS need, e.g., the SB 1122 feed-in-tariff for bioenergy projects, ReMAT feed-in-tariff for smaller sized renewable projects, and the GTSR program for community based projects. In addition, D.12-02-002 combined SDG&E's solar photovoltaic (PV) program solar targets with RAM. The solar PV program authorized 26 MW of utility owned generation and 74 MW of power purchase agreements with independent power producers to incentivize small-scale PV facilities.¹⁴ SDG&E's justification for not meeting RAM targets because it does not have an RPS need ignores the objective of the RAM and solar PV programs and is thus not reasonable.

SDG&E has not provided adequate justification that it put forth good faith effort to meet its overall RAM target or justified why it was consistently unable to meet its RAM auction targets. If SDG&E had reason to fail to meet a Commission mandate, it should have utilized an appropriate formal procedural vehicle to raise the issue with the Commission. Consequently, SDG&E is ordered to procure the remaining additional megawatts from the bids it received in its RAM VI solicitation.

SAFETY

Public Utilities Code Section 451 requires that every public utility maintain adequate, efficient, just, and reasonable service, instrumentalities, equipment and facilities to ensure the safety, health, and comfort of the public. RAM contracts contain Commission approved safety provisions, which require, among other things, the seller to operate the generating facility in accordance with Prudent Electrical Practices, as defined in the contracts, and all applicable requirements of law, including those related to planning, construction, ownership, and/or operation of the projects. These provisions specifically require that all sellers take a list of reasonable steps to ensure that the generation facility is operated, maintained, and decommissioned in a safe manner.

projects, which have not been able to effectively participate in the annual RPS solicitations to date" (D.10-12-048, page 2)

¹⁴ D.10-09-016 adopted a solar PV program for SDG&E.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

FINDINGS

1. SDG&E's 20 MW power purchase agreement with Solar Frontier meets its advanced procurement Green Tariff Shared Renewables (GTSR) requirements of D.15-01-051.
2. SDG&E has not met its 1.75 MW Environmental Justice target mandated in D.15-01-051.
3. SDG&E has a 62% shortfall towards meeting its Commission mandated Renewable Auction Mechanism (RAM) targets.
4. SDG&E has over relied on the discretion provided in D.10-12-048 to reject bids.
5. SDG&E did not shortlist enough bids to meet its target in the sixth RAM auction.
6. SDG&E has not demonstrated that the remaining bids in the sixth RAM solicitation are uncompetitive.
7. If SDG&E had reason to fail to meet a Commission mandate, it should have utilized an appropriate procedural vehicle to raise the issue with the Commission.
8. SDG&E's justification to not meet RAM targets because it does not have an RPS need ignores the objective of the RAM and solar photovoltaic programs and is not reasonable.
9. RAM bid prices are adjusted by an IOU's time of delivery factors before the bids are ranked and selected, so that the project's value relative to the investor-owned utility's portfolio is considered.

10. Rugraw LLC's protest that SDG&E is discriminating against baseload product category for bid evaluation is denied.
11. Each RAM auction is a standalone auction. Any comparison of price between Rugraw's RAM IV contract and their RAM VI bid price is irrelevant, as bid prices are compared against all other bids received in the same auction.
12. Rugraw's protest that the RAM VI bid price is competitive based on its comparison with the RAM IV average contract price is denied.

THEREFORE IT IS ORDERED THAT:

1. San Diego Gas & Electric Company's Power Purchase Agreement with Solar Frontier for the 97WI 8ME LLC project is approved.
2. SDG&E is ordered to procure additional megawatts from the bids it received in its sixth Renewable Auction Mechanism solicitation.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on July 14, 2016; the following Commissioners voting favorably thereon:

TIMOTHY J. SULLIVAN
Executive Director