BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Continued Implementation of the Public Utility Regulatory Policies Act and Related Matters.	Rulemaking 18-07-017 (Filed July 26, 2018)

JOINT PROPOSAL OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E), SOUTHERN CALIFORNIA EDISON COMPANY (U 338 E), PACIFIC GAS AND ELECTRIC COMPANY (U 39 E) AND QUALIFYING FACILITY PARTIES FOR ADOPTION OF THE TERMS OF A NEW PURPA-COMPLIANT CONTRACT

PAUL A. SZYMANSKI
Senior Regulatory Counsel for
SAN DIEGO GAS & ELECTRIC COMPANY
8330 Century Park Court, CP32D
San Diego, C 92123
Telephone: (858) 654-1732
Facsimile: (619) 699-5027
E-mail: pszymanski@semprautilities.com

JANET S. COMBS
CAROL SCHMID-FRAZEE
MARIO E. DOMINGUEZ
SOUTHERN CALIFORNIA EDISON COMPANY
2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, CA 91770
Telephone: (626) 302-6522
Facsimile: (626) 302-1935
E-mail: Mario.e.dominguez@sce.com

KRISTIN CHARIPAR
JENNIFER K. POST
Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY
77 Beale Street, B30A
San Francisco, CA 94105
Telephone: (415) 973-6117
Facsimile: (415) 973-5520
E-mail: kristin.charipar@pge.com

NANCY RADER
Executive Director
CALIFORNIA WIND ENERGY ASSOCIATION
1700 Shattuck Ave., #17
Berkeley CA 94709
Telephone: (510) 845-5077 x1
Email: nrader@calwea.org

For the California Wind Energy Association

Freeman S. Hall, President
SOLAR ELECTRIC SOLUTIONS, LLC
11726 San Vicente Blvd., Suite 414
Los Angeles, CA 90049
Telephone: (310) 826-8510
E-Mail: fhall@solarelectricsolutions.com

For Solar Electric Solutions

Kevin Mackamul, CEO
APT SOLAR COMPANY
688 Azure Hills Drive
Simi Valley, CA 93065
Telephone: (805) 312-4534
E-mail: kmackamul@aptsolar.com

For APT Solar Company

Michael Stern, President
POCO POWER, LLC
31584 Foxfield Drive
Westlake Village, CA 91361
Telephone: (818) 665-5122
E-mail: mstern@pocopower.com

For Poco Power, LLC

Neda Aghvami, Principal
DIVISION SOLAR, LLC
1518 Federal Ave., PH6
Los Angeles, CA 90025
Telephone: (818) 571-7179
E-Mail: naghvami@divisionsolarllc.com

For Division Solar, LLC

Michael J. Minkler, General Manager
UTICA WATER AND POWER AUTHORITY
1168 Booster Way
PO Box 358
Angels Camp, CA 95222
Telephone: (209) 822-9189
E-mail: mjminkler@uticapower.net

For Utica Water and Power Authority

Chelsea Haines
Regulatory Advocate
ASSOCIATION OF CALIFORNIA WATER AGENCIES
910 K Street
Sacramento, CA 95814
Telephone: (916) 441-4545
E-mail: chelseah@acwa.com

For Association of California Water Agencies

Kenneth Sahm White
Director, Policy & Economic Analysis
CLEAN COALITION
16 Palm Court
Menlo Park, CA 94025
Telephone: (831) 295 3734
E-mail: sahm@clean-coalition.org

For Clean Coalition

November 14, 2018

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Continued Implementation of the Public Utility Regulatory Policies Act and Related Matters.	Rulemaking 18-07-017 (Filed July 26, 2018)

JOINT PROPOSAL OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E), SOUTHERN CALIFORNIA EDISON COMPANY (U 338 E), PACIFIC GAS AND ELECTRIC COMPANY (U 39 E) AND QUALIFYING FACILTY PARTIES FOR ADOPTION OF THE TERMS OF A NEW PURPA-COMPLIANT CONTRACT

I. INTRODUCTION

Pursuant to the November 2, 2018 Assigned Commissioner's Scoping Memo and Ruling ("Scoping Memo"),[1] San Diego Gas & Electric Company ("SDG&E"), Pacific Gas and Electric Company ("PG&E"), and Southern California Edison Company ("SCE") (the "Joint Investor-Owned Utilities" or "Joint IOUs") and Qualifying Facility or QF Parties, APT Solar Company, Association of California Water Agencies, the California Wind Energy Association, the Clean Coalition, Division Solar, LLC, Poco Power, LLC, Solar Electric Solutions, LLC, and Utica Water and Power Authority (hereinafter Joint IOUs and QF Parties collectively referred to as "Joint Parties") submit these comments which contain their Joint Proposal of terms for a new Standard Offer Contract ("SOC") that would be responsive to the August 1, 2018 Order Instituting Rulemaking ("OIR") commencing this proceeding. The OIR was issued "[i]n light of the *Winding Creek Order*,"[2] which held that the Commission's Renewable Market Adjusting

[1] Assigned Commissioner's Scoping Memo and Ruling (dated November 2, 2018) at 5.

[2] Order Instituting Rulemaking Regarding Continued Implementation of the Public Utility Regulatory Policies Act and Related Matters (issued August 1, 2018) at 7; *see also Winding Creek Solar, LLC v. Peterman, et al.,* 293 F. Supp. 3d 980 (N.D. Cal. 2017).

Tariff ("ReMAT") did not comport with the Public Utility Regulatory Policies Act ("PURPA"),[3] which requires, among other things, that ReMAT did not provide QFs of 20 MW or less the option to choose energy rates at the time of contract execution or at the time of product delivery.[4]

The Scoping Memo sets forth a thorough procedural history of this proceeding. Of note, on October 18, 2018, the Commission convened a Workshop at which numerous parties participated and the Joint Parties presented a Joint Proposal, consisting of a list of terms material to the development of a new SOC that would remedy the deficiencies noted by the *Winding Creek* Court. On October 19, 2018, the Joint IOUs distributed to the Service List their then-current proposal of terms for the new SOC, and the Joint IOUs likewise noticed and conducted an all-party conference call on October 26, 2018 to afford parties an opportunity to ask questions and provide feedback on the proposal.

Additionally, the Scoping Memo noted that: "A settlement in this proceeding is encouraged. Parties may either submit a proposed settlement pursuant to Rule 12.1 of the Commission's Rules of Practice and Procedure, or may include a joint proposal in their November 14, 2018 comments."[5] The Joint Parties have elected to do the latter and set forth and discuss the terms material to their Joint Proposal in Section II, below, as well as in the one-page Attachment A to this filing which lists those terms in summary fashion. The Joint Proposal follows very closely the Joint Parties' proposal presented and discussed at the Workshop as well as at the October 26, 2018 all-party conference call. Thus, the Joint Parties submit that all parties have had ample time to review and consider these terms.

As a matter of procedure, the Joint Parties propose that, after the comment period which

---

[3] 16 U.S.C. Sections ("§") 824a-3 and 2601.

[4] 18 C.F.R. §§ 292.304(d)(2)(i) and 292.304(d)(2)(ii).

[5] Scoping Memo at 5 (internal citations omitted).

concludes with reply comments on November 28, 2018, the Commission should issue a Final Order that specifies which terms are to be included in the new SOC. The Final Order should further direct the Joint Parties to submit a Tier 2 Advice Letter 90 days after issuance of the Final Order that contain the new SOC in its entirety and reflecting the newly adopted terms.

II. DISCUSSION OF JOINT PARTIES' PROPOSAL

The Joint Parties recommend that the following terms be included in the new SOC.

Base Form of Agreement: QF/CHP Settlement Power Purchase Agreement ("PPA") for Facilities 20 MW and under

The Joint Parties propose that the existing SOC QF contract (the "QF/CHP PPA") would serve as the basis for the new SOC QF contract, with modifications as required to implement the fixed pricing terms, because: (1) the relevant Parties have already agreed to a standard contract in the QF/CHP Settlement, many of which terms would carry over to a fixed-price contract; (2) the urgency related to development of the new fixed-price contract; and (3) the fact that only two years remain in the QF/CHP Settlement period which does not allow adequate time to develop an entirely new contract and make it available to Sellers prior to the end of the Settlement period.

Term: Minimum 12-month term; Maximum 36-month term

The California electric market has undergone a radical transformation over the past ten years. The price of wholesale bulk power and the need for such power is more uncertain than ever. Significant changes driving this uncertainty include the shift in the mix of the bulk generation system from gas fired plants to renewables, the rise of Community Choice Aggregators ("CCAs") as alternative retail energy providers to the incumbent IOUs, the proliferation of behind the meter generation and the advent of large scale energy storage. To mitigate this uncertainty and related risks, the Joint Parties have agreed to limit the Delivery Term of the fixed price contract to no more than three years (36 months), with an ability for the

Seller to also choose a term from 12 months to 36 months. This shorter term also allows the Seller flexibility to market its resource on a long-term basis to load-serving entities or marketers besides the IOUs, while still having the option to enter into another fixed-price contract upon the expiration of the then-current contract. Finally, because the contract pricing is fixed based on historical average prices, the market risk associated with basing avoided cost on past pricing is mitigated by the relatively short term.

Scheduling Coordinator: Seller Option, Buyer is default SC (Same as under QF/CHP PPA)

This is consistent with the current Standard Offer contract from the QF/CHP Settlement and reflects the historic preference of Sellers to have the IOU serve as Scheduling Coordinator.

Energy Scheduling: Same as QF/CHP PPA

This is consistent with the current Standard Offer contract from the QF/CHP Settlement.

Scheduling Coordinator Fee: Same as QF/CHP PPA

This is consistent with the current Standard Offer contract from the QF/CHP Settlement.

Interconnection: Same as QF/CHP PPA

This is consistent with the current Standard Offer contract from the QF/CHP Settlement.

Energy Price at time of execution: Based on three-year historical pricing at the PNode of the resource, subject to a collar equal to the Energy Trading Hub (NP 15 or SP 15) price +/- 10%.

The Joint Parties' energy pricing mechanism is based on Energy Division's initial proposal to use historical CAISO locational marginal prices ("LMP") as the basis of the fixed price since it captures the price at the generator location. Since the Joint Parties are trying to establish a price based on the procurement cost for generation ("PNode"), and not the aggregated price paid by load ("DLAP"), the Staff's LMP proposal and Joint Parties proposal more accurately reflects the utility's avoided cost. However, to limit the bounds in PNode pricing variability, the PNode price will be subject to a collar equal to the Energy Trading Hub price for the same hours plus or minus 10%.

Here is an example of how the collar on the PNode price will function. Assume a three-year historical average of PNode price for a time period is $29/MWh, and the three-year historical average for the applicable Energy Trading Hub Price for the same time period is $30/MWh. To calculate the collar around the PNode price, we take +/-10% of the Energy Trading Hub Price, which results in a minimum price floor at $27/MWh and a maximum price cap at $33/MWh. Since the $29/MWh PNode price with within the Trading Hub collar, the PNode price is the fixed-price payment for that time period. However, if the PNode price for that time period was $25/MWh, the Trading Hub cap would apply, and the fixed price would be set at $27/MWh for that time period. Likewise, if the PNode price was $35/MWh for that time period, the Trading Hub cap would also apply, and the fixed price would we set at $33/MWh for that time period.

Time of Day Periods

The Time of Day Periods are intended to reflect the costs the utility would be able to avoid were it to procure energy in the market. The Time of Day Periods align with market products to reflect the avoided costs of procuring energy at different times during the day.

Each calendar month will have three Time of Day Periods: Shoulder Peak, Mid-day Peak, and Off Peak.

- Shoulder Peak: HE 7-HE 8 and HE 17-HE 22 (6am-8am and 4pm-10pm), Monday through Saturday non-NERC holidays
- Mid-day Peak: HE 9-HE 16 (8am-4pm), Monday through Saturday non-NERC holidays
- Off Peak: All other hours. This includes Sunday and North American Electric Reliability Corp (NERC) defined holidays which, include Independence Day, New Years, Thanksgiving, Memorial Day, Christmas and Labor Day

The three separate time periods per month results in 36 separate pricing periods per calendar year.

Capacity Price: Average of prior three years CPUC Annual Report for applicable Resource Adequacy ("RA") month in the zone where the project is located.

This report is an objective source of market information and represents the value of RA capacity in California. The use of a three-year average to set the fixed price is consistent with the use of three-year historical pricing to fix the energy price and is a reasonable approximation of the utility's value placed on RA Capacity given the lack of publicly available forward price information.

Net Contract Capacity: Based on actual monthly Net Qualifying Capacity ("NQC") value as published by the CAISO awarded towards Buyer's RA compliance requirement.

This reflects how the current market measures, values and trades capacity. Capacity only has value to the extent that it is accepted for compliance with a Load-Serving Entity's RA obligation. Furthermore, basing capacity payments on NQC is consistent with the capacity pricing proposal because the available capacity pricing data is also measured in terms of NQC.

Outages: Buyer has no obligation to provide substitute RA.

Buyer shall compensate Seller for the NQC value provided by Seller and available to meet the Buyer's monthly RA requirement. If Seller's generating facility is on outage or otherwise unable to provide RA in a particular month, Buyer will not have an obligation to provide any substitute RA or minimize any Resource Adequacy Availability Incentive Mechanism ("RAAIM") or CAISO charges applicable to the Seller, for which the Seller will be responsible. The QF/CHP PPA does not contemplate the replacement or substitution of capacity, so this term is simply a clarification that the transition to capacity measured in NQC will not create such an obligation for Sellers.

Notification Pre-COD: 30 days, 75 days for Seller to receive payment for Capacity on the Commercial Operation Date.

A reasonable amount of advanced notice is necessary to onboard a generating facility before it begins delivery under a contract. Generally, thirty days is sufficient for these tasks. However, the CAISO RA timeline requires that the IOU include NQC for the facility in its RA supply plan 45 days prior to start of the month in order to receive any benefit from the capacity of the generating resource. Accordingly, a Seller who would like to receive capacity payments for the first full calendar month of the contract will need to provide seventy-five days' notice before the beginning of the applicable month in order to allow the IOU to that capacity.

CAISO Charges/Revenues: Same as QF/CHP PPA with the exception of RAAIM.

This is consistent with the current QF/CHP PPA, with the clarification that Seller would receive any RAAIM benefits or charges, which is consistent with market practices for capacity transactions.

Contract Termination Right: No termination right. Fixed-price agreements rely on set terms to prevent opportunistic terminations.

The relatively short term of the contracts allows Sellers flexibility in marketing their resource to other load-serving entities who may be in the market for long-term resources. Contract terminations have important ripple effects on a Buyer's RA positions, hedging and risk management, dispatch systems, accounting and financial planning. Since Sellers have the ability to choose a twelve to thirty-six-month contract, they have the ability to tailor the agreement to match the marketing strategy for the resource without the disruption to the Buyer's business and planning caused by an un early termination of the contract.

Economic Curtailment

The energy market has evolved significantly since the drafting of the original PURPA SOC. The amount of intermittent renewable generation has also increased significantly.

Economic curtailment provisions have demonstrable value while protecting generator revenues. Inclusion of "take or pay" economic curtailment provisions consistent with existing RPS agreements is a reasonable approach to assist in mitigating the risk of using historical prices as the basis for future payments.

Cost Allocation: Power Charge Indifference Adjustment ("PCIA") with no vintaging

The Joint Parties recommend use of the PCIA mechanism as adopted by the Commission in D.18-10-019, but non-vintaged, i.e., without respect to when the customer departed, as all customers benefit from compliance with federal law regardless of their departure date. The Joint Parties agree that this methodology represents a fair compromise in this circumstance.

PPA Availability: Available through end of CHP settlement term (12/31/20).

Parties on all sides of the QF/CHP Settlement have reasons to want a new Standard Offer contract to be used following the expiration of the QF/CHP Settlement term. Because of the sense of urgency related to development of the new fixed-price contract, the Joint Parties agree that the existing QF/CHP contract (with modifications as detailed in this filing) would be the basis for the new fixed-price contract contemplated in this proceeding. Nothing in this contract would be considered binding for purposes of any new agreement to replace the existing Standard Contract that resulted from the QF/CHP Settlement.

This Joint Proposal Shall Not Serve As Precedent

This Joint Proposal, regardless of whether approved by the Commission, shall not serve as precedent in a future negotiation or proceeding.

Lift Suspension of ReMAT and Address Outstanding ReMAT Program Issues.

The parties urge the CPUC to act without delay to lift the ReMAT suspension and direct SCE and PG&E to restart their ReMAT programs. The parties request that the CPUC address outstanding ReMAT issues raised in the pending PFMs. Parties request that Energy Division issue a staff report under R.18-07-003 by the end of March 2019."

III. CONCLUSION

The Joint Parties request that the Commission adopt the terms proposed herein for the new Standard Offer Contract and also approve of an Advice Letter process requiring the IOUs to submit a conforming contract to the Energy Division by a Tier 2 Advice Letter within 90 days of the Final Order in this proceeding.

Respectfully submitted on behalf of
SDG&E, PG&E, SCE, and QF Parties, pursuant to
Rule 1.8(d),

/s/ Paul A. Szymanski
Paul A. Szymanski

PAUL A. SZYMANSKI
Senior Regulatory Counsel for
SAN DIEGO GAS & ELECTRIC COMPANY
8330 Century Park Court, CP32D
San Diego, C 92123
Telephone: (858) 654-1732
Facsimile: (619) 699-5027
E-mail: pszymanski@semprautilities.com

November 14, 2018

PURPA PPA OIR (R.18-07-017)
Attachment A: Summary Term Sheet of Joint Parties Proposal

Provision	Term
Base Form of Agreement	QF/CHP Settlement PPA for Facilities 20 MW and under
Term	Minimum 12 month term; Maximum 36 month term
Scheduling Coordinator	Seller Option, Buyer is default SC (Same as under QF/CHP PPA)
Scheduling Coordinator Fee	Same as QF/CHP PPA
Energy Scheduling	Same as QF/CHP PPA
Interconnection*	Same as QF/CHP PPA
Energy Price at time of execution	Based on three year historical pricing at the appropriate PNode, capped at +/-10% of the appropriate Energy Trading Hub price (NP 15 or SP 15) for the same time period.
Time of Day Periods	There are three Time of Day Periods that align with market products: Shoulder Peak, Mid day Peak, and Off Peak. The Peak Hours would be split into two time periods: A Shoulder Peak of: HE 7-HE 8 and HE 17-HE 22 A Mid day Peak of HE 9-HE 16 Peak Hours: Monday through Saturday non NERC holidays HE 7 through HE 22 (HE refers to hours ending). To be clear, HE 7 starts at 6 am and ends at 7am. HE 22 starts at 9 and ends at 10 pm. This is 16 hours for peak. Off Peak: All other hours. This includes Sunday and North American Electric Reliability Corp (NERC) defined holidays which, subject to check include Independence Day, New Years, Thanksgiving, Memorial Day, Christmas and Labor Day.
Capacity Price	Average of prior three years CPUC Annual Report for applicable RA month for the zone where the project is located
Net Contract Capacity	Based on actual monthly NQC value as published by the CAISO awarded towards Buyer's RA compliance requirement
Outages	No obligation for either party to provide substitute RA
Notification Pre-COD	30 days, 75 days for Seller to receive payment for Capacity on COD
CAISO Charges/Revenues	Same as QF/CHP PPA with the exception of Resource Adequacy Availability Incentive Mechanism (RAAIM)
Contract Termination Right	No termination right. Fixed price agreements rely on set terms to prevent opportunistic terminations and potential business disruption.
Economic Curtailment	Buyer pays for deemed delivered energy to have economic bidding and curtailment rights
Cost Allocation	PCIA mechanism as adopted by the Commission in D.18-10-019, but non-vintaged as all customers benefit from compliance with federal law regardless of their departure date
PPA Availability	Available through end of CHP settlement term (12/31/20)
Precedence of Contract	Contract shall not serve as precedent in a future negotiation or proceeding