

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



June 1, 2020

Thomas R. Darton
Vice President, General Counsel
Pilot Power Group, Inc.
890 University Center Lane, Suite 520
San Diego, CA 92122

Dear Mr. Darton,

On October 31, 2019 and December 6, 2019, Pilot Power Group, Inc. (Pilot) filed a waiver request via Advice Letter 52-E and 52-E-A respectively for its 2020 year-ahead local Resource Adequacy (RA) requirement in the Sierra and Big Creek-Ventura local areas. Pilot seeks relief from its remaining 2020 year-ahead local RA obligation and any potential Commission-imposed penalties for deficiencies. Pilot's waiver request failed to demonstrate that it pursued all commercially reasonable efforts in procuring local capacity to meet its local RA obligations. The Energy Division of the California Public Utilities Commission (Commission) denies Advice Letter 52-E and 52-E-A, Pilot's request for a penalty waiver.

Commission Decision (D.) 06-06-064 established waiver provisions for local Resource Adequacy (RA) procurement. D.19-06-026 established 2020 compliance year obligations for all Load Serving Entities (LSEs). On October 31, 2019, Pilot submitted its year-ahead local RA compliance filing, showing a deficiency in the Sierra local area. Pilot also submitted a request for penalty waiver for this deficiency via Advice Letter 52-E and 52-E-A pursuant to D.06-06-064 and D.19-06-026.

On November 20, 2019, the Public Advocates Office (Cal Advocates) submitted a protest to Advice Letter 52-E, stating that Pilot only provided narrative summaries of their efforts to obtain local RA, while eleven other LSEs provided solicitation materials, bids received or submitted, and email communications. Cal Advocates requests that the Commission require Pilot amend their advice letter to provide this documentation. Cal Advocates also recommends that the Commission evaluate the availability of capacity, specifically compare reported local RA capacity deficiencies for LSEs from other LSEs that show long position for the same local areas to determine whether the deficient LSEs made all reasonable efforts to procure. Cal Advocates also recommends evaluating CAISO's list of available capacity to determine whether resource owners exercised market power through withholding capacity or offering unreasonably high bids. Cal Advocates states that this information can help evaluate whether LSEs have sufficiently justified their need for a waiver.

Section 3.3.12 of D.06-06-064 describes a standard that an LSE may use to demonstrate that it could not reasonably achieve its LCR obligations:

- (1) a demonstration that the LSE reasonably and in good faith solicited bids for its RAR capacity needs along with accompanying information about the terms and conditions of the Request for Offer or other form of solicitation, and*
- (2) a demonstration that despite having actively pursued all commercially reasonable efforts to acquire the resources needed to meet the LSE's local procurement obligation, it either*
 - (a) received no bids, or*
 - (b) received no bids for an unbundled RA capacity contract of under \$40 per kW-year or for a bundled capacity and energy product of under \$73 per kW-year, or*

(c) received bids below these thresholds but such bids included what the LSE believes are unreasonable terms and/or conditions, in which case the waiver request must demonstrate why such terms and/or conditions are unreasonable.

An LSE's waiver request that meets these requirements is a necessary but not a sufficient condition for the grant of such waiver. The Commission will also consider other information brought to its attention regarding the reasonableness of the waiver request.

Energy Division reviewed the documentation provided by Pilot on its efforts to procure local capacity and issued a data request to Pilot on January 3, 2020 to seek more information, including bids offered into other RFOs and bids received from its RFOs. Pilot provided the relevant documentation requested by Energy Division.

Energy Division has reviewed Pilot's actions and finds that Pilot has not demonstrated that it has made reasonable and good faith effort to procure capacity to meet its local RA obligations. In this case, Energy Division finds that Pilot did not issue RFOs or other forms of solicitation of their own to solicit bids, and therefore did not pursue all commercially reasonable efforts to acquire the resources needed to meet the LSE's local procurement obligation. Thus, Energy Division denies Advice Letter 52-E and 52-E-A, Pilot's request for a waiver of Commission penalties related to its year-ahead 2020 local RA procurement.

Sincerely,

Handwritten signature of Edward Randolph in cursive, followed by the initials "(for)" in parentheses.

Edward Randolph
Deputy Executive Director for Energy and Climate Policy /
Director, Energy Division

Cc: EDComplianceReports@cpuc.ca.gov
Julie Halligan, Public Advocates Office
Xian Li, Public Advocates Office