



FILED

10-24-13

10:43 AM

MP1/TJS/gd2 10/24/2013

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company (U39M), San Diego Gas & Electric Company (U902E) and Southern California Edison Company (U338E) for Authority to Increase Electric Rates and Charges to Recover Costs of Research and Development Agreement with Lawrence Livermore National Laboratory for 21st Century Energy Systems.

Application 11-07-008
(Filed July 18, 2011)

**ASSIGNED COMMISSIONER AND ADMINISTRATIVE LAW JUDGE'S
SCOPING RULING INVITING COMMENTS TO DETERMINE NEXT STEPS IN
LIGHT OF ENACTMENT OF SENATE BILL 96
(CHAPTER 356, STATUTES OF 2013)**

On September 26, 2013, Senate Bill (SB) 96 was signed by the Governor of California and Chaptered by the Secretary of State.¹ SB 96 included Sections 44 and 45, which add § 740.5 to the Pub. Util. Code and explain its purpose.²

Section 45 states that the purpose of § 740.5 is “to limit the implementation of the Public Utilities Commission Decision 12-12-031.” In particular, § 740.5 restricts research and development projects to those that pertain to “cyber

¹ SB 96 (Chapter 356, Statutes of 2013).

² These sections of SB 96 are included in Attachment A to this ruling.

security and grid integration.” In addition, it limits total funding over the proposed five-year research period to \$35 million. Section 740.5 also states:

The commission shall not approve for recovery from ratepayers, those program management expenditures proposed, commencing with page seven, in the joint advice letter filed by the state’s three largest electrical corporations, Advice 3379-G/4215-E (Pacific Gas and Electric Company), Advice 2887-E (Southern California Edison Company), and Advice 2473-E (San Diego Gas and Electric Company), dated April 19, 2013. Project managers for the 21st Century Energy System Decision shall be limited to three representatives, one representative each from Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas and Electric Company.

Section 740.2 also contains prohibitions on the funding of duplicate research and adopts reporting requirements:

(e) (1) The commission shall require each participating electrical corporation to prepare and submit to the commission by December 1, 2013, a joint report on the scope of all proposed research projects, how the proposed project may lead to technological advancement and potential breakthroughs in cyber security and grid integration, and the expected timelines for concluding the projects. The commission shall, within 30 days of receiving the joint report, determine whether the report is sufficient or requires revision, and upon determining that the report is sufficient submit the report to the Legislature in compliance with Section 9795 of the Government Code.

(2) The commission shall require each participating electrical corporation to prepare and submit to the commission by 60 days following the conclusion of all research and development projects, a joint report summarizing the outcome of all funded projects, including an accounting of expenditures by the project managers and grant recipients on administrative and overhead costs and whether the project resulted in any technological advancements or breakthroughs in promoting cyber security and grid integration.

The commission shall, within 30 days of receiving the joint report, determine whether the report is sufficient or requires revision, and upon determining that the report is sufficient, submit the report to the Legislature in compliance with Section 9795 of the Government Code.

Next Steps

As a consequence of the enactment of Senate Bill (SB) 96, the California Public Utilities Commission (Commission) finds it necessary to reopen this proceeding and modify the scope to solicit input from parties as to how the Commission should revise Decision (D.) 12-12-031. Pursuant to § 1701.5, this ruling amending the scope of the proceeding extends the deadline to permit the resolution of these new issues set for this proceeding. The new deadline for the resolution of the issues in this proceeding is April 21, 2015.

Concerning the \$35 million dollar cap on research adopted in § 740.5, how should this cap be implemented? How should the Commission ensure that research expenditures fall below the cap? Should the Commission adopt guidance on how the funds should be allocated between cyber security and grid integration.

Specifically, the Commission notes that D.12-12-031 invited research projects in the areas of “cyber security, electricity operations, gas operations, and electric resource planning,”³ but § 740.5 limits research to “cyber security and grid integration.” This raises the natural questions of what is included in “grid integration?” Does “grid integration” include both those electricity operations related to the stabilization and integration of generation sources into the grid and

³ D.12-12-031, Ordering Paragraph 10 at 96.

electricity resource planning related to the determination and acquisition of electricity resources needed to stabilize the grid? Or, does “grid integration” mean something else, unrelated to the research categories developed in D.12-12-031?

Concerning the allocation of costs between utilities, now that the research project cannot address the topic of “gas operations,” should the allocation of research costs between the utilities be changed? If so, how should these be changed?

Concerning the governance structure, how should the Commission ensure that “project management” is limited to one representative from Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company?

Concerning the reporting requirements adopted in § 740.5, how should the Commission implement these provisions? Does this report structure, tied to the completion of a research project, eliminate the need for an annual advice letter and report? What should the Commission do to ensure compliance with the reporting requirements adopted in § 740.5(e)?

Finally, with the passage of SB 96, a question arises as to whether there are new “issues of fact” or other issues that would require a hearing for resolution. For this reason, parties should comment at this time on whether additional hearings are needed to address the issues arising from the passage of SB 96.

IT IS RULED that:

1. Application 11-07-008 is open.
2. The scope of this proceeding is amended to address the issues that arise from the enactment of Senate Bill (SB) 96.

3. The California Public Utilities Commission (Commission) invites comments and replies address the following questions:

- How should Decision (D.) 12-12-031 be modified in light of the requirements adopted in SB 96?
- What research topics fall under the approved research areas of “cyber security” and “grid integration”? Specifically, how does the topic of “grid integration” relate to the research topics “electricity operations” and “electric resource planning” that were adopted in D.12-12-031?
- How should the research costs be allocated among the participating utilities now that the project will not include a study of gas operations or gas safety?
- How should the Commission implement the \$35 million cap on research funded under this decision?
- How should the governance structure adopted in D.12-12-031 be modified to ensure that “project management” is limited to one project manager from Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company? Does this requirement preclude project oversight from the Commission?
- What requirements are needed to ensure compliance with the reporting requirements in § 740.5(e)? Does the report structure contained in § 740.5(e), which is tied to the completion of a research project, eliminate the need for an annual advice letter and report?
- Does this proceeding require additional hearings for resolution? Is a prehearing conference warranted? Are evidentiary hearings necessary? If so, what factual matters would be the subject of evidentiary hearings?

4. The Opening Comments addressing any topic raised by the enactment of SB 96 and those specific issues identified in Ruling Paragraph 3 should be filed and served no later than November 22, 2013. Replies should be filed and served not later than December 6, 2013.

Dated October 24, 2013, at San Francisco, California.

/s/ MICHAEL R. PEEVEY
Michael R. Peevey
Assigned Commissioner

/s/ TIMOTHY J. SULLIVAN
Timothy J. Sullivan
Administrative Law Judge

ATTACHMENT A

SEC. 44. (a) The Legislature finds and declares that the purpose of adding Section 740.5 to the Public Utilities Code is to limit the implementation of the Public Utilities Commission Decision 12-12-031 (December 20, 2012), Decision Granting Authority to Enter Into a Research and Development Agreement with Lawrence Livermore National Laboratory for 21st Century Energy Systems and for costs up to \$152.19 million so that:

(1) No research and development projects other than for the purposes of cyber security and grid integration shall be funded by ratepayers as a result of Decision 12-12-031.

(2) Total funding for research and development projects for the purposes of cyber security and grid integration shall not exceed \$35 million over the five-year research period.

(3) Those program management expenditures proposed, commencing with page seven, in the joint advice letter filed by the state's three largest electrical corporations, Advice 3379-G/4215-E (Pacific Gas and Electric Company), Advice 2887-E (Southern California Edison Company), and Advice 2473-E (San Diego Gas and Electric Company), dated April 19, 2013, be voided.

(4) Project managers be limited to three representatives, one representative each from Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas and Electric Company.

(5) The Lawrence Livermore National Laboratory, Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas and Electric Company ensure that research parameters reflect a new contribution to cyber security and that there not be a duplication of research being done by other private and governmental entities.

(b) Nothing in this act authorizes the Public Utilities Commission's adoption of Decision 12-12-031.

SEC. 45. Section 740.5 is added to the Public Utilities Code, to read:

740.5. (a) For purposes of this section, "21st Century Energy System Decision" means commission Decision 12-12-031 (December 20, 2012), Decision Granting Authority to Enter Into a Research and Development Agreement with Lawrence Livermore National Laboratory for 21st Century Energy Systems and for costs up to \$152.19 million, or any subsequent decision in Application 11-07-008 (July 18, 2011), Application of Pacific Gas and Electric Company (U39M), San Diego Gas and Electric Company (U902E), and Southern California Edison Company

(U338E) for Authority to Increase Electric Rates and Charges to Recover Costs of Research and Development Agreement with Lawrence Livermore National Laboratory for 21st Century Energy Systems.

(b) In implementing the 21st Century Energy System Decision, the commission shall not authorize recovery from ratepayers of any expense for research and development projects that are not for purposes of cyber security and grid integration. Total funding for research and development projects for the purposes of cyber security and grid integration pursuant to the 21st Century Energy System Decision shall not exceed thirty-five million dollars (\$35,000,000). All cyber security and grid integration research and development projects shall be concluded by the fifth anniversary of their start date.

(c) The commission shall not approve for recovery from ratepayers, those program management expenditures proposed, commencing with page seven, in the joint advice letter filed by the state's three largest electrical corporations, Advice 3379-G/4215-E (Pacific Gas and Electric Company), Advice 2887-E (Southern California Edison Company), and Advice 2473-E (San Diego Gas and Electric Company), dated April 19, 2013. Project managers for the 21st Century Energy System Decision shall be limited to three representatives, one representative each from Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas and Electric Company.

(d) The commission shall require the Lawrence Livermore National Laboratory, as a condition for entering into any contract pursuant to the 21st Century Energy System Decision, and Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas and Electric Company to ensure that research parameters reflect a new contribution to cyber security and that there not be a duplication of research being done by other private and governmental entities.

(e) (1) The commission shall require each participating electrical corporation to prepare and submit to the commission by December 1, 2013, a joint report on the scope of all proposed research projects, how the proposed project may lead to technological advancement and potential breakthroughs in cyber security and grid integration, and the expected timelines for concluding the projects. The commission shall, within 30 days of receiving the joint report, determine whether the report is sufficient or requires revision, and upon determining that the report is sufficient submit the report to the Legislature in compliance with Section 9795 of the Government Code.

(2) The commission shall require each participating electrical corporation to prepare and submit to the commission by 60 days following the conclusion of all research and development projects, a joint report summarizing the outcome of all

funded projects, including an accounting of expenditures by the project managers and grant recipients on administrative and overhead costs and whether the project resulted in any technological advancements or breakthroughs in promoting cyber security and grid integration. The commission shall, within 30 days of receiving the joint report, determine whether the report is sufficient or requires revision, and upon determining that the report is sufficient, submit the report to the Legislature in compliance with Section 9795 of the Government Code.

(3) This subdivision shall become inoperable January 1, 2023, pursuant to Section 10231.5 of the Government Code.

(END OF ATTACHMENT A)