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**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of SAN DIEGO GAS &  
ELECTRIC COMPANY (U902M) for  
Approval of its Energy Storage  
Procurement Framework and Program As  
Required by Decision 13-10-040.

Application 14-02-006  
(Filed February 28, 2014)

And Related Matters.

Application 14-02-007  
Application 14-02-009

**SCOPING MEMO AND RULING OF ASSIGNED COMMISSIONER  
AND ADMINISTRATIVE LAW JUDGE**

**1. Summary**

Pursuant to Rule 7.3 of the Commission's Rules of Practice and Procedure (Rules),<sup>1</sup> this Scoping Memo and Ruling sets forth the procedural schedule, assigns the presiding officer, and addresses the scope of this proceeding and other procedural matters following the prehearing conference (PHC) held on May 14, 2014.

**2. Background**

On December 16, 2010, the Commission opened Rulemaking (R.) 10-12-007 to implement the provisions of Assembly Bill (AB) 2514 (Stats. 2010, Ch. 469).

<sup>1</sup> All references to rules are to the Commission's Rules of Practice and Procedure, which are available on the Commission's website at [http://docs.cpuc.ca.gov/WORD\\_PDF/RULES\\_PRAC\\_PROC/136861.pdf](http://docs.cpuc.ca.gov/WORD_PDF/RULES_PRAC_PROC/136861.pdf).

AB 2514 directs the Commission determine appropriate targets, if any, for each Load-Serving Entity (LSE) as defined by Pub. Util. Code § 380(j) to procure viable and cost-effective energy storage systems and sets dates for any targets deemed appropriate to be achieved.<sup>2</sup>

In response to this state mandate, Decision (D.) 13-10-040 “Decision Adopting Energy Storage Procurement Framework and Design Program” was issued on October 21, 2013 and established a program for procurement of energy storage including:

- 1) Procurement targets for each of the investor-owned utilities;
- 2) Mechanisms to procure storage and means to adjust targets, as necessary; and
- 3) Program evaluation criteria.<sup>3</sup>

Subsequently, in compliance with Ordering Paragraph (OP) 3 in D.13-10-040, San Diego Gas and Electric Company (SDG&E), Pacific Gas and Electric Company (PG&E), and Southern California Edison Company (SCE), filed procurement applications on February 28, 2014.<sup>4</sup> These energy storage

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<sup>2</sup> Unless otherwise stated, all statutory references are to the Public Utilities Code.

<sup>3</sup> D.13-10-040 at 2. With the issuance of this decision, R.10-12-007 was closed.

<sup>4</sup> Application (A.) 14-02-006: “Application of San Diego Gas and Electric Company for Approval of its Energy Storage Framework and Program;” A14-02-007: “Application of Pacific Gas and Electric Company for Authorization to Procure Energy Storage Systems During the 2014 Procurement Period Pursuant to Decision 13-10-040;” and A.14-02-009: “Application of Southern California Edison for Approval of its 2014 Energy Storage Procurement Plan.”

procurement applications contained proposals for procuring energy storage resources, as described in § 3.d of Appendix A of D.13-10-040.<sup>5</sup>

On March 26, 2014, the assigned Administrative Law Judge (ALJ) issued a ruling which consolidated the three Applications, authorized an extension of time for filing of responses/protests and replies, and provided notice of a PHC on May 14, 2014.

On May 14, 2014, a PHC was held to establish the service list, discuss the scope based on parties' responses and protests to the Applications, review categorization and need for hearing, and develop a procedural timetable for management of this proceeding.

### **3. Scope of Proceeding**

Consistent with AB 2514,<sup>6</sup> the Commission's energy storage procurement program is guided by three purposes:

- 1) Optimization of the grid, including peak reduction, contribution to reliability needs, or deferment of transmission and distribution upgrade investments;
- 2) The integration of renewable energy; and
- 3) The reduction of greenhouse gas emissions to 80 percent below 1990 levels by 2050, per California's goals.<sup>7</sup>

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<sup>5</sup> According to Appendix A at 2, "Southern California Edison Company, Pacific Gas and Electric Company, and San Diego Gas & Electric Company shall procure under contract (i.e., pending contract, under contract, or installed) 1,325 MW of energy storage by 2020 with the requirement that the overall procurement goal of 1,325 MW will be installed and delivered to the grid no later than the end of 2024, where MW represents the peak power capacity of the storage resource in terms of maximum discharge rate." Specific procurement targets were allocated to each of the investor-owned utilities according to transmission, distribution, and customer grid domains.

<sup>6</sup> See Pub. Util. Code § 2835(a)(3).

While energy storage may serve additional purposes within California's energy supply, the Commission has applied these three overarching purposes in setting procurement targets, designing procurement, and evaluating progress.

Though the Applications, protests, responses, and replies, and follow up discussions at the PHC, feedback from parties helped to determine the scope of issues that need to be addressed in a Commission decision in late 2014:

1. Should PG&E's, SCE's and SDG&E's proposed procurement plans for the 2014 Biennial Solicitation be adopted?
2. Will PG&E, SCE, and SDG&E proposed utility procurement plans ensure safe and reliable delivery of energy to customers?
3. Should the utilities' cost recovery methodologies for energy storage procurement through various ratemaking mechanisms be approved?

#### **4. Request for Filing of Information**

As discussed at the PHC, stakeholders and Commission staff have identified a number of issues on which more detailed information is necessary to accomplish the following: 1) evaluate the Applications before utility RFOs occur no later than December 1, 2014, and 2) consider various longer term aspects of the Energy Storage Procurement Framework and Design Program that could potentially be addressed in a subsequent rulemaking. As to the latter, the requested information ranges from what is the proper definition of storage to how the consistent evaluation protocol (CEP) can be augmented, etc. Because

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<sup>7</sup> The Global Warming Solutions Act of 2006 (AB 32) requires California to reduce greenhouse gas emissions to 1990 levels by 2020. Cal. Health & Safety § 38500 *et seq.*

*Footnote continued on next page*

this proceeding is a compliance proceeding, it is not the intent of this proceeding to re-litigate or revisit major policy Commission policy positions reached in D.13-10-040. For example, some workshop-related issues listed in Attachment A are generally outside of the scope of this proceeding but will be considered as appropriate in the context of the pending Applications. To the extent that some of these positions can be clarified or refined without compromising the major policy direction established in D. 13-10-040 or the milestones/timeline of this proceeding, this will enhance the quality of the energy storage procurement program moving forward.

Therefore, this ruling has an attachment containing a series of questions to which parties are requested to respond. Further, Energy Division shall conduct a workshop on June 2, 2014, to explore solutions to supplemental workshop-related questions as listed in Attachment A.

Following the workshop, all interested parties may file and serve responses to the questions in Attachment A no later than June 12, 2014.

All interested parties may file and serve replies to comments by June 19, 2014.

## **5. Category of Proceeding and Need for Hearing**

The Commission preliminarily categorized this matter as ratesetting with a need for hearings pursuant to Rule 7.1 of the Commission's Rules of Practice and Procedure. (Resolution ALJ 176-3332, dated March 13, 2014.) We confirm the preliminary assessment and categorize this proceeding as ratesetting. This

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Executive Order S-3-05 (Gov. Schwarzenegger, 2005) states an additional goal of reducing greenhouse gas emissions to 80 percent below 1990 levels by 2050.

ruling may be appealed. Appeals must be filed and served within 10 days.  
(Rule 7.6.)

Based on the discussion at the PHC, it appears that this proceeding can be resolved through workshops and the filing of comments and evidentiary hearings may not be needed. Therefore, we have not set aside dates for serving testimony and holding evidentiary hearings. However, we shall give parties an opportunity to recommend whether evidentiary hearings are necessary based on ongoing developments in the proceeding. As the milestones/timeline indicates, parties shall formally indicate by June 19, 2014, if they request evidentiary hearings. As part of its request, the party shall specifically identify the disputed material facts that require evidentiary hearings.

## **6. Proceeding Schedule**

The schedule below is adopted for this proceeding and assumes no evidentiary hearings are held. Consistent with D.13-10-040, a major objective of this proceeding is that solicitations shall occur no later than December 1, 2014.<sup>8</sup> If it is later determined that both evidentiary hearings and testimony are needed to establish a record, then the schedule may be delayed accordingly. The scope and schedule of the proceeding may be modified by a subsequent ruling of the assigned Commissioner and/or Presiding Officer. However, we anticipate that the proceeding will be resolved within 18 months from the date of this Scoping Memo, pursuant to the requirements of Pub. Util. Code § 1701.5.

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<sup>8</sup> D. 13-10-040, OP 3, at 77.

### Scoping Memo Milestones/Timeline

Proceeding/Milestone	Date
Storage Procurement Applications Filed Pursuant to D.13-10-040	February 28, 2014
Ruling Consolidating Applications, Authorizing Extension of Time to File Comments and Providing Notice of Prehearing Conference	March 26, 2014
Responses to Applications Filed	April 7, 2014
Replies to Responses Filed	April 18, 2014
Prehearing Conference	May 14, 2014
Workshop on Outstanding Issues	June 2, 2014
Commissioner's Scoping Memo	Late May 2014
Responses to Scoping Memo Questions	June 12, 2014
Replies to Responses to Scoping Memo Questions	June 19, 2014
Final Day to Request Evidentiary Hearings	June 19, 2014
Proposed Decision Mailed (anticipated)	Late August 2014
Comments and Reply Comments on Decision	September 2014
Final Decision (anticipated)	October 2014
Utility RFOs	December 1, 2014

#### 7. Intervenor Compensation

The PHC in this matter was held on May 14, 2014. Pursuant to Pub. Util. Code § 1804(a)(1), a customer who intends to seek an award of compensation must file and serve a notice of intent to claim compensation by June 13, 2014.

As reflected in the provisions set forth in Pub. Util. Code § 1801.3(f) and § 1802.5, all parties seeking an award of intervenor compensation must coordinate their analysis and presentation with other parties to avoid duplication.

**8. Presiding Officer**

Commissioner Carla J. Peterman is the assigned Commissioner. Pursuant to Rule 13.2, ALJ Colette E. Kersten shall be the Presiding Officer.

**9. Ex Parte Communications**

Communications with decision makers and advisors in this rulemaking are subject to the rules on *ex parte* communications set forth in Article 8 of the Rules of Practice and Procedure. In accordance with Rule 8.2, *ex parte* communications for this ratemaking proceeding are allowed, subject to the reporting requirements in Rule 8.3 and the restrictions in Rule 8.2.

**IT IS RULED that:**

1. The scope and schedule are as set forth in the body of this ruling unless amended by a subsequent ruling of the assigned Commissioner or Presiding Officer.
2. The category of this proceeding is ratesetting and is subject to the *ex parte* communication rules stated in Article 8 of the Rules of Practice and Procedure.
3. This proceeding may require evidentiary hearings.
4. Energy Division shall conduct a workshop on June 2, 2014, to address issues pertaining to the definition of storage, common evaluation protocol, procurement/Request for Offer requirements, and related matters that Energy Division may deem necessary to implement Decision 13-10-040.
5. In response to Supplemental Questions listed in Attachment A, parties shall serve and file written responses by June 12, 2014, and written replies by June 19, 2014.

6. Any party that expects to claim intervenor compensation for its participation in this rulemaking shall file its notice of intent to claim intervenor compensation no later than 30 days from the Prehearing Conference (Rule 17.1(a) (1)).

Dated May 27, 2014, at San Francisco, California.

/s/ CARLA J. PETERMAN  
Carla J. Peterman  
Assigned Commissioner

/s/ COLETTE E. KERSTEN  
Colette E. Kersten  
Administrative Law Judge

# **ATTACHMENT A**

## Attachment A

### Supplemental Questions

1. Do PG&E, SCE, and SDG&E Applications comply with (D.)13-10-040 (Energy Storage Decision) and the Commission's guiding principles for energy storage procurement? Do PG&E, SCE, and SDG&E correctly identify its existing eligible energy storage projects and correctly calculate its 2014 Biennial Adjusted Storage Target? If not, what deficiencies exist and how should they be addressed?
2. Will PG&E, SCE, and SDG&E proposed procurement plans ensure safe and reliable delivery of energy to customers?
3. Do cost recovery and allocation rules associated with transmission/distribution/and customer-side of the meter types of storage need to be clarified and/or further defined in this proceeding or other related proceedings?
4. Should any energy storage cost recovery occur through the Power Charge Indifference Adjustment (PCIA) for above-market stranded costs? Is cost recovery through Cost Allocation Mechanism (CAM) appropriate for generation providing reliability services?
5. Does the *Pro Forma* Energy Storage Agreement adequately address contract issues or should it provide more standardized or specific detail? Is the 10-year contract limit a barrier towards effective and timely financing of proposed projects?
6. Should the deadline to execute and submit contracts from the 2014 Storage RFO to the Commission change from one year after the RFO issued to a longer period (e.g., within one year of creating its short list of offers)?
7. Should pre-bidding interconnection requirements be consistent across utilities? If so, how?
8. Other than the Permanent Load Shifting incentive program and Self-Generation Incentive Program, should the IOUs be

doing more to procure or support customer-side storage? If so, how should the IOU plans be augmented?

9. Does the Commission's post solicitation review process and related timing provide sufficient transparency and due process to ensure a quality storage procurement process?
10. Should projects be approved by Tier 3 advice letter or by Application? What parameters should dictate the appropriate method?

### **June 2, 2014 Commission Workshop-Related Questions**

11. Do the definition of storage and/or related eligibility rules need to be clarified. If so, how?
12. Do the "commercial availability" and "technologically viable" evaluation criteria need to be clarified? If so, how?
13. Does the consistent evaluation protocol (CEP) need to be augmented? If so, how can it be augmented to enhance storage program goals? Is the quantification of benefits adequately addressed in protocols?
14. Do procurement/RFO requirements need to be augmented? If so, how?
15. Should the standard for deferment of the biennial procurement target be clarified? Should the deadline for requesting deferment of storage targets change from three months after the utilities' receipt of RFO offers to a longer period (e.g., 12 months after the RFO offers have been shortlisted)?

**(End of Attachment A)**