

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



FILED
6-10-16
04:59 PM

Second Application of Pacific Gas and Electric
Company for Approval of Agreements Resulting
from Its 2014-2015 Energy Storage Solicitation
and Related Cost Recovery

Application 16-04-024

(U 39 E)

**REPLY OF
PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)
TO RESPONSE AND PROTESTS**

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June 10, 2016

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Pursuant to Rule 2.6(e) of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure, Pacific Gas and Electric Company (PG&E) provides this reply to the response and protests that were submitted to this application.

In its application, PG&E is seeking the Commission's

- approval of an agreement, which resulted from PG&E's 2014 energy storage request for offers (2014 ES RFO), between PG&E and Stem Energy Northern California LLC (Stem) (Agreement) under which Stem will provide PG&E with four megawatts (MW) of resource adequacy (RA) and flexible RA on a monthly basis, making use of an aggregation of behind-the-meter (BTM) storage devices,
- approval of PG&E's proposed cost recovery for the costs PG&E incurs under the Agreement, including incorporation of the Agreement into PG&E's power charge indifference adjustment (PCIA) calculations, and
- determination that the Agreement counts four MW toward PG&E's energy storage targets adopted by the Commission in the D.13-10-040.

PG&E has received protests to its application from the Office of Ratepayer Advocates (ORA) and Marin Clean Energy and Sonoma Clean Power Authority (Community Choice Aggregation (CCA) Parties). PG&E has also received a response to its application from the Green Power Institute (GPI).

In its protest ORA argues that 1) the Agreement is not cost-effective, 2) the Agreement fails to reflect Least Cost Best Fit (LCBF) principles, 3) the Agreement is not necessary to meet PG&E's RA requirement, and 4) PG&E was not authorized by the Commission to file its second

application. Based on these assertions, ORA recommends that the Commission reject the Agreement.

The CCA Parties recommend that PG&E's application be denied without prejudice; and consolidated with PG&E's first application for energy storage resources in the 2014-2015 cycle. They argue that applying the PCIA to energy storage will unfairly impact CCA customers.

GPI requests that this application be consolidated with PG&E's first application. Additionally, GPI discusses whether the Agreement's length is appropriate, and supports the online date of the Agreement. Finally, GPI discusses whether PG&E's evaluation of the Agreement complies with Assembly Bill (AB) 2514 and D.13-10-040.

As discussed below,

- PG&E agrees that the issues that ORA raises are within the scope of the proceeding, but disagrees with ORA's conclusion that the Agreement should be rejected;
- PG&E agrees that the issues raised by GPI are within the scope of the proceeding; and
- PG&E opposes consolidation of this proceeding with PG&E's first application for approval of agreements resulting from PG&E's 2014 ES RFO, as that proceeding is at a much more advanced stage, and there is no benefit to be gained from consolidation.

I. DISCUSSION

A. PG&E Agrees That The Issues ORA Raises Are Within The Scope Of This Proceeding, But Disagrees With ORA's Conclusion That The Commission Should Reject The Agreement

PG&E agrees that the issues and arguments raised by ORA are within the scope of this proceeding. However, PG&E disagrees with ORA's conclusion that the Agreement should be rejected.

In the ES RFO, PG&E's primary objective was to execute a diverse portfolio of energy storage projects (as measured mainly by technology and project configuration) that meet the objectives of the energy storage program as established by the Commission—greenhouse gas reduction, grid optimization and renewable integration—at a reasonable cost. This diverse

portfolio should yield reliable empirical information about technology behavior under various, well documented conditions. The use of energy storage in different project configurations may also provide insight into the optimization of energy storage benefits. The knowledge gained would be utilized to:

- Operationalize projects with different project configurations;
- Accelerate learning for future procurement;
- Help shape future policies and regulations;
- Review selection criteria in future RFOs; and
- Update valuation methodologies.¹

As part of seeking diversity in its storage project portfolio, in its RFO PG&E sought BTM load reduction projects.² As discussed in more detail in chapter 2 of PG&E's prepared testimony, simply developing an appropriate agreement structure for BTM load reduction projects required significant effort.

PG&E realized that there is a cost tradeoff to executing agreements for projects with greater levels of diversity. PG&E made a cost/benefit tradeoff in order to consider other qualitative factors when evaluating potential storage projects.³ Thus, while PG&E appreciates, and generally supports, ORA's expressed concerns regarding cost, in this context the incremental cost associated with this Agreement is justified by the experience it provides to PG&E in obtaining this type of storage project, and incorporating it into PG&E's resource adequacy portfolio.

If approved, the Agreement will contribute to the diversity of the contracts already executed out of the ES RFO. PG&E sought to execute one BTM energy storage agreement through this ES RFO in order to learn about how this type of resource would operate and provide

¹ PG&E Prepared Testimony, Post, p. 3-5.

² PG&E Prepared Testimony, Post, p. 3-5.

³ PG&E Prepared Testimony, Post, p. 3-6.

value in the CAISO market. PG&E selected this offer from the final BTM energy storage offers because it aligned with PG&E's project attribute preferences.⁴

In sum, PG&E agrees that the issues ORA raises are within the scope of the proceeding, but disagrees with ORA's position that the Agreement should be rejected.

B. PG&E Agrees that The Substantive Issues Discussed By GPI Are Within The Scope Of This Proceeding

GPI discusses whether the Agreement's length is appropriate, and supports the online date of the Agreement. Additionally, GPI discusses whether PG&E's evaluation of the Agreement complies with AB 2514 and D.13-10-040.

PG&E agrees that each of these is an appropriate topic for consideration in this proceeding.

C. This Application Should Not Be Consolidated With PG&E's First Application

Both the CCA Parties and GPI argue that this application should be consolidated with PG&E's first application for approval of storage agreements resulting from PG&E's 2014 ES RFO. That proceeding is A.15-12-004. It has been consolidated with the analogous application for Southern California Edison Company (SCE), A.15-12-003.

Those consolidated proceedings are past the briefing stage, and are now awaiting the issuance of a proposed decision (PD). This proceeding, by contrast, is in its initial stage, with responses and protests to the application having been filed less than two weeks ago. Given the very different stages of the two proceedings, consolidation would necessarily delay the conclusion of A.15-12-003/A.15-12-004. Therefore, unless there is some counterbalancing benefit to be gained, the proceedings should not be consolidated. Here, there is no counterbalancing benefit to be gained, and so this application should not be consolidated with A.15-12-003/A.15-12-004.

⁴ PG&E Prepared Testimony, Post, p. 3-6.

The CCA Parties focus on the PCIA. PG&E acknowledges that the methodology for incorporating storage agreements into the PCIA calculation is being addressed in A.15-12-003/A.15-12-004. However, that does not provide a basis for consolidating this proceeding with those.

This application brings nothing new to the determination of the PCIA calculation for storage. That issue has been briefed, and is ready for Commission decision. Whatever calculational approach is adopted there should be applied to this Agreement.

An agreement of the type PG&E is requesting approval of here is often referred to as “capacity only” or “RA only.” Under the Agreement PG&E is entitled to 4 MW of the project’s RA capability, as well as any other current or future defined capacity characteristics, certificates, tags, and credits. The Seller agrees to comply with California Independent System Operator (CAISO) and Commission requirements to enable PG&E to apply the capacity of the project to meet its RA requirements during the delivery term.

How to reflect “RA only” storage projects is already explicitly under consideration in in the PCIA discussion in A.15-12-003/A.15-12-004. Therefore, there is no basis for consolidating this application with A.15-12-003/A15-12-004, as this proceeding has nothing to add to that discussion.

The only reason GPI provides for its consolidation recommendation is that this application does not meet the deadline for contract submission set by D.13-10-040. PG&E acknowledges this. That point, however, does not provide any rationale for consolidating this application with the previous one, given that PG&E’s earlier application is at the PD preparation stage.

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II. CONCLUSION

PG&E respectfully requests that the Commission reject the proposals to consolidate this application with A.12-15-003/A.12-15-004, as that consolidated proceeding is at a much later procedural stage, and there would be no benefit associated with the consolidation of this proceeding with those.

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Dated: June 10, 2016